Apex Exam Guidebook

Economics

Year 12 QCE

Queensland Curriculum

2026 Edition

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Apex Exam Guidebook
Economics
Year 12 QCE

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Note	• The Economics exam includes a combination of multiple-choice, short-response and extended response items relating to Unit 4, Topic 2: Economic management. • Some question material has not been released by QCAA due to copyright restrictions and are not able to be included in this exam guide. This has been flagged in the relevant questions in the exam guide. Teachers may still be able to locate many of these sources and provide these to students by following the links at the end of the original QCAA exams on the QCAA website.

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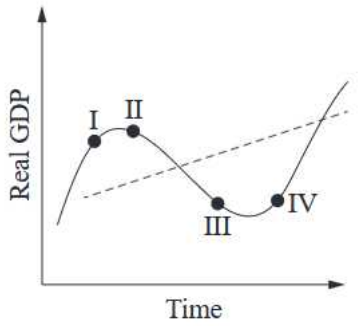
Unit 4 – Topic 2: Economic management

Paper 1 Section 1

2024 Paper 1 Section 1 Question 1	In the Australian federal budget, the spending component that has increased most significantly over the past five years is (A) the National Disability Insurance Scheme. (B) public order and safety. (C) childcare subsidies. (D) medical benefits.

2024 Paper 1 Section 1 Question 2	The principal medium-term objective of monetary policy is to (A) influence the value of the Australian dollar. (B) increase gross domestic product. (C) reduce structural employment. (D) control inflation.

2024 Paper 1 Section 1 Question 3	Ceteris paribus, what is the effect of a significant increase in migration to Australia? (A) The labour supply curve expands. (B) The aggregate demand curve expands. (C) The aggregate supply curve shifts to the left. (D) The housing demand curve shifts to the right.

2024 Paper 1 Section 1 Question 4	At which point in the economic cycle should an increase in the cash rate have the desired effect?  (A) I (B) II (C) III (D) IV

2024 Paper 1 Section 1 Question 5	Which is an example of an automatic stabiliser? (A) infrastructure expenditure (B) electric vehicle subsidies (C) unemployment benefits (D) veteran payments

2024 Paper 1 Section 1 Question 6	Which of the following is **not** an aim of microeconomic reform? (A) reducing unemployment in the short run (B) improving the productivity of sectors in the long run (C) enhancing the international competitiveness of targeted industries (D) changing the allocation of economic resources to specific industries

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2024 Paper 1 Section 1 Question 7	Ceteris paribus, a shift in the long run aggregate supply curve should occur when (A) household saving ratios fall. (B) average pension age decreases. (C) median household income increases. (D) worker productivity remains constant.

2024 Paper 1 Section 1 Question 8	The Australian government is aiming to achieve sustainable budgets over time. Which factor makes this challenging? (A) heavy reliance on direct taxation (B) higher retirement age of employees (C) change in the demographic structure in the economy (D) greater infrastructure funding after national flood events

2024 Paper 1 Section 1 Question 9	Assume the economy is at a trough position on the economic cycle. **ECONOMIC UPDATE** • A tighter overseas monetary policy is expected to contribute to weaker global GDP growth. • International supply chain delays are reducing. • The university sector is moving to online teaching to reach international students. What should the monetary policy stance be after the updated economic data is taken into account? (A) expansionary, because there will be less injections from the international sector (B) neutral, because income flow between some sectors is balanced (C) neutral, because supply chains are developing new trade routes (D) contractionary, because the economy is expanding

2024 Paper 1 Section 1 Question 10	Assume this current data represents an economy similar to Australia's economy. **Unemployment** 4.0% **Underemployment** 5.8% **Underlying inflation** 6.5% **Headline inflation** 7.3% **Non-accelerating inflationary rate of unemployment** 3.8% **Real gross domestic product per annum** 1.8% **Wage Price Index** 3.1% **Public debt** 120% of GDP Ceteris paribus, which are the appropriate economic management decisions? (A) monetary policy contractionary and fiscal policy expansionary (B) monetary policy contractionary and fiscal policy neutral (C) monetary policy neutral and fiscal policy contractionary (D) monetary policy neutral and fiscal policy neutral

2023 Paper 1 Section 1 Question 1	At different stages of the business cycle, automatic stabilisers always act to (A) change aggregate demand. (B) increase aggregate demand. (C) decrease aggregate demand. (D) maintain aggregate demand.

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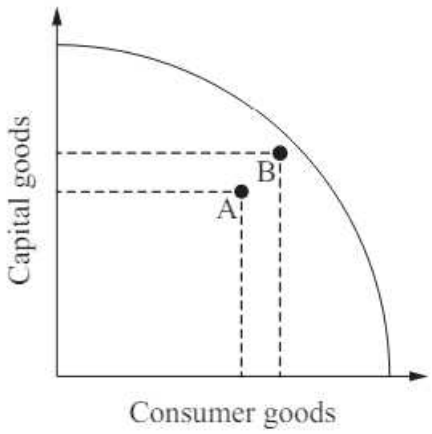
2023 Paper 1 Section 1 Question 2	If the Australian Government decided to reintroduce an inheritance tax, this policy would (ceteris paribus) (A) increase the budget deficit. (B) raise Australia's foreign debt. (C) improve the distribution of income and wealth. (D) encourage people to save for their retirement income.

2023 Paper 1 Section 1 Question 3	A movement in the cash rate from 3% to 4.5% is equal to (A) 0.15 percentage points. (B) 150 basis points. (C) 150 per cent. (D) 15 per cent.

2023 Paper 1 Section 1 Question 4	Inflation targeting (A) guarantees that inflation remains within a band of 2% to 3%. (B) assists with managing an economy's inflation expectations. (C) encourages the banking sector to pass on rate changes. (D) is most effective with cost-push inflation issues.

2023 Paper 1 Section 1 Question 5	Assume the government significantly increases excise taxes on fuels to encourage more electric vehicles. How will this initiative affect the Australian economy? (A) increase domestic-based inflation (B) increase the supply of electric cars (C) raise employment in the Australian car industry (D) raise transportation costs of fruit and vegetables

2023 Paper 1 Section 1 Question 6	To improve housing affordability, a government plans to release more land for houses and introduce a first home owners' grant. The likely impact is that house prices (A) should increase. (B) should decrease. (C) cannot be predicted. (D) would remain unchanged.

2023 Paper 1 Section 1 Question 7	 The movement of an economy from point A to point B could be attributed to (A) moving manufacturing and research and development projects overseas. (B) increasing productivity in export-focused industries and technology change. (C) reducing investment in manufacturing and reducing cyclical unemployment. (D) an overseas supply chain issue changing production of consumer and capital goods.

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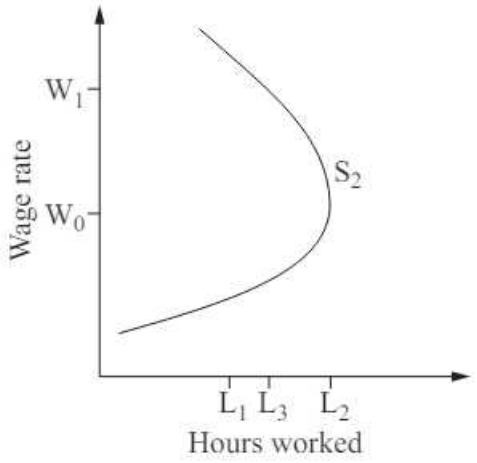
2023 Paper 1 Section 1 Question 8	If the Reserve Bank of Australia increases interest rates relative to our trading partners, it will cause (ceteris paribus) (A) a depreciating effect on the exchange rate. (B) a reduction in the federal budget deficit. (C) an inflow of foreign financial capital. (D) a decrease in export prices.

2023 Paper 1 Section 1 Question 9	A government is interpreting a model of a labour supply curve in a highly developed economy.  Assuming the average wage moves from W_0 to W_1, employees' marginal propensity to consume leisure will (A) increase. (B) decrease. (C) remain constant. (D) decrease at an increasing rate.

2023 Paper 1 Section 1 Question 10	The data shows an economic scenario over a three-year period. **Year 1** | **Year 2** | **Year 3** **Nominal GDP ($ billion)** | 700 | 730 | 745 **Budget surplus ($ billion)** | 100 | 115 | 140 Which economic policies would improve this situation? (A) raising the age pension and increasing income taxes (B) selling government assets and reducing retirement age (C) increasing retirement age and decreasing health expenditure (D) increasing job seeker payments and decreasing income taxes

2022 Paper 1 Section 1 Question 1	What is the primary aim of microeconomic reform? (A) improve living standards (B) reduce income inequality (C) increase economic efficiency (D) decrease demand-pull inflation

2022 Paper 1 Section 1 Question 2	The significance of aggregate supply policies in Australia's economic history was that they (A) increased the availability of local goods and services. (B) maximised sustainable economic growth. (C) achieved short-run employment gains. (D) supported domestic businesses.

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2022 Paper 1 Section 1 Question 3	How is microeconomic reform represented in the aggregate demand / aggregate supply (AD/AS) model? (A) The AS curve shifts to the right and real gross domestic product increases. (B) The AD curve shifts to the right and real gross domestic product increases. (C) There is an expansionary movement along the AS curve and real gross domestic product increases. (D) There is an expansionary movement along the AS and AD curves and real gross domestic product increases.

2022 Paper 1 Section 1 Question 4	A proposal to change Australia's GST to a rate of 15% would be aiming to (A) stabilise aggregate demand in the economy. (B) decrease government revenue. (C) contract the economy. (D) broaden the tax base.

2022 Paper 1 Section 1 Question 5	Assume there is an increase in Australians preferring to rent rather than buy their own home. The effect on the transmission mechanism would be (ceteris paribus) (A) a change to how the transmission mechanism is channelled. (B) a decrease in the effective size of the transmission mechanism. (C) quicker interest rate changes so banks maintain their profit levels. (D) a shorter time frame for the cash rate to be transmitted throughout the economy.

2022 Paper 1 Section 1 Question 6	Assume the Australian federal treasurer has handed down a deficit budget for the coming fiscal year, and subsequently there is a sudden downturn in consumer demand. The most likely change to the budget is (ceteris paribus) (A) no change in unemployment benefit payments and the budget target is still achievable. (B) an increase in unemployment benefit payments and a smaller budget deficit. (C) a decrease in unemployment benefit payments and a smaller budget deficit. (D) an increase in unemployment benefit payments and a larger budget deficit.

2022 Paper 1 Section 1 Question 7	Australia's monetary policy is less effective when the economy is (A) recovering, because excess production capacity limits employment growth. (B) in a trough, because the average propensity to save is high due to lower consumer confidence. (C) in a downturn, because political considerations discourage potential reductions in the cash rate. (D) booming, because businesses are concerned that interest rates will rise so they reduce their investments.

2022 Paper 1 Section 1 Question 8	Assume a central bank is concerned that house prices have increased in the past year. Which situation would be most likely to encourage the central bank to increase the official interest rate? (A) Inflation increases from below 1% and housing approvals continue to rise. (B) There is a short-term increase in house purchases causing current consumption to fall. (C) There is a continuous increase in both house prices and consumer debt relative to wage growth. (D) The housing price index increases in capital cities and does not change in other populated areas.

2022 Paper 1 Section 1 Question 9	Which policy mix is the most appropriate in the following scenario? • Annual consumer price index movement: (Y_0) 100 to (Y_1) 102. • Nominal gross domestic product movement: (Y_0) \$9.3 billion to (Y_1) \$9.5 billion. • Non-accelerating inflationary rate of unemployment: (Y_0) 4.5% to (Y_1) 4.0%. • Dwelling approvals have fallen slightly from Y_0 to Y_1. (A) expansionary monetary and fiscal policy (B) neutral monetary and fiscal policy stance (C) expansionary monetary policy and neutral fiscal policy stance (D) neutral monetary policy and fiscal policy that contracts the economy

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2021 Paper 1 Section 1 Question 1	A primary economic objective of the Australian Government's budget in 2021 was (A) reducing inflation. (B) keeping employment high. (C) maintaining a stable exchange rate. (D) achieving a current account surplus.

2021 Paper 1 Section 1 Question 2	The results of a cash rate decision are a reduction in interest payments on debt and an increase in the amount of income available for households and businesses. Which channel of the transmission mechanism is this cash rate change an example of? (A) savings and investment (B) asset price and wealth (C) sector income (D) cash flow

2021 Paper 1 Section 1 Question 3	In contrast to macroeconomic policy, microeconomic reform aims to (A) limit government intervention in markets. (B) raise the competitiveness of export businesses. (C) improve the allocative efficiency of resource use. (D) increase long-term growth in growth domestic product.

2021 Paper 1 Section 1 Question 4	An economy is experiencing decreasing levels of economic activity. A cause for unemployment rates remaining at 5% (ceteris paribus) might be (A) A reduction in the number of hours worked. (B) an increase in unemployment benefits. (C) a rise in the number of school leavers. (D) a delay in workers retiring.

2021 Paper 1 Section 1 Question 5	Assume the Australian Government has simplified regulations in the medical and pharmaceutical industries. Identify the expected changed to the aggregate demand/aggregate supply diagram (ceteris paribus). (A) Average prices rise and GDP decreases because the aggregate supply curve shifts to the left. (B) Average prices fall and GDP increases because the aggregate supply curve shifts to the right. (C) Average prices rise and GDP increases due to an expansionary movement along the aggregate supply curve. (D) Average prices fall and GDP decreases due to a contractionary movement along the aggregate supply curve.

2021 Paper 1 Section 1 Question 6	Which country would be most likely to experience a longer time lag in economic growth following a cash rate change (ceteris paribus)? (A) a country where marginal propensity to consume is 0.7 (B) a country where marginal propensity to import is 0.7 (C) a country where marginal propensity to invest is 0.7 (D) a country where marginal propensity to save is 0.7

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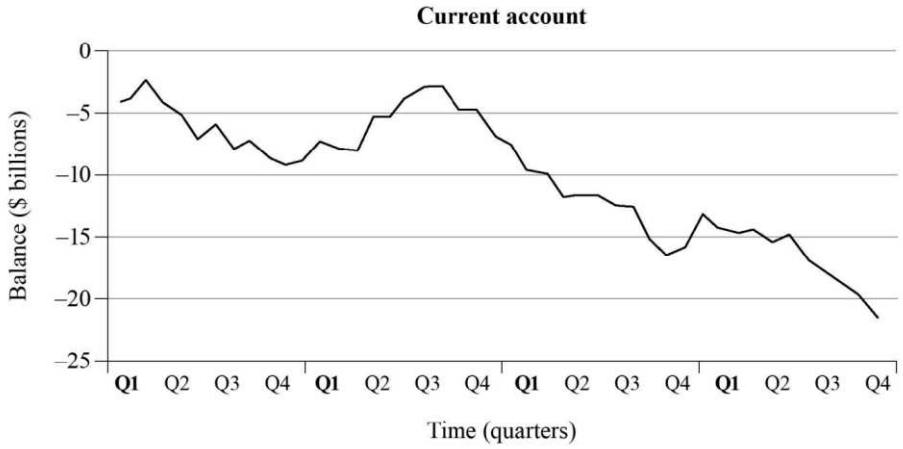
2021 Paper 1 Section 1 Question 7

Identify the correct statement

	Economic management policy		Outcome
(A)	Increasing the goods and services tax to improve tax efficiency	leads to	an increase in household standard of living.
(B)	Raising the tax-free threshold to lift household consumption	leads to	an increase in equity in income distribution.
(C)	Repaying Federal Government debt to overseas residents	leads to	an expansion in short-term economic activity.
(D)	Promoting competition in the financial industry	leads to	a reduction in unemployment.

2021 Paper 1 Section 1 Question 8

Assume the current account has shown the trend in the graph for the last 16 quarters.



Which fiscal strategy would be most effective in addressing this issue in Australia (ceteris paribus)?

(A) stimulating the economy to encourage spending on domestic goods and services
(B) liberalising trade policies to make the economy more competitive
(C) replacing overseas borrowing with domestic sources of finance
(D) improving the efficiency of the foreign exchange market

2021 Paper 1 Section 1 Question 10

The table shows labour market data for an economy.

Year	Labour force ('000)	Employed persons ('000)
2021	580	550
2022	790	760

Based on the data in the table, fiscal policy measures

(A) should be avoided because the number of employed persons has increased.
(B) do not need to be changed because the employment rate is unchanged.
(C) could be contractionary because the employment rate is falling.
(D) could be expansionary because the employment rate is rising.

2020 Paper 1 Section 1 Question 1

In a situation where monetary policy is changed, the transmission mechanism will depend on

(A) changes to the structure of the economy over time.
(B) asset and wealth values of high-income households.
(C) the substitutability of imports and domestic goods and services.
(D) whether households and firms respond by saving more now or later.

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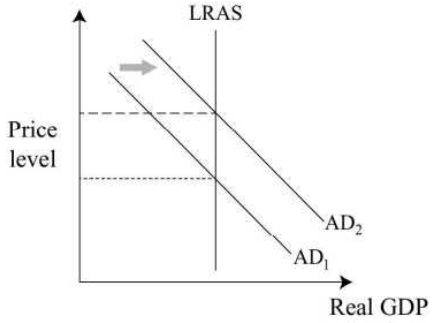
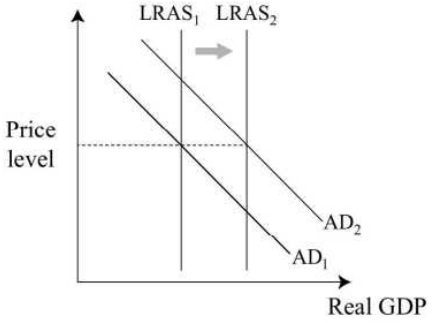
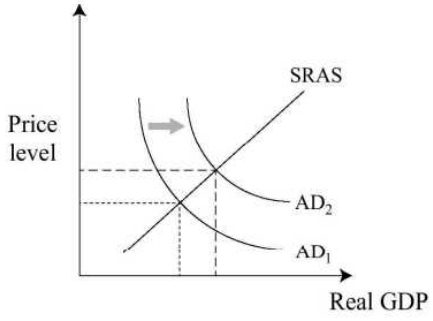
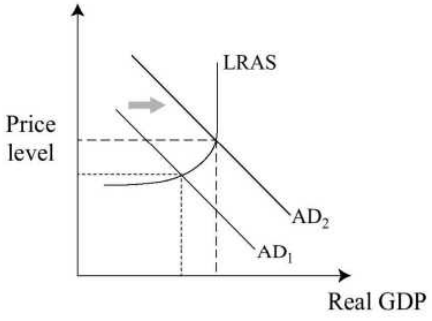
2020 Paper 1 Section 1 Question 2	Assume the Australian Government tightens regulations on working holiday visas. The economic effect of this policy would be (ceteris paribus) (A) a fall in the supply of seasonal labour. (B) a rise in the supply of seasonal labour. (C) a fall in the demand for seasonal labour. (D) a rise in the demand for seasonal labour.

2020 Paper 1 Section 1 Question 3	In Australia, taxation bracket creep (A) is the result of indexing income tax bands to inflation. (B) compensates taxpayers on the threshold taxation levels. (C) raises tax revenue without explicitly increasing tax rates. (D) occurs when tax revenue and expenditure work in opposition.

2020 Paper 1 Section 1 Question 4	Within a total government budget of $300 billion, the planned surplus for the year was $4 billion. In that year, the actual budget recorded an unplanned increase of $6 billion in government expenditure. In the following year, the planned deficit was $2 billion. This suggests that (A) The budget outcome is expansionary. (B) The budget outcome is contractionary. (C) the government is aiming to repay debt. (D) the government expects a recession in the following year.

2020 Paper 1 Section 1 Question 6	Which diagram best represents the trade-offs that should be considered with demand management policies at different points of the economic cycle? (A)  (B)  (C)  (D) 

2020 Paper 1 Section 1 Question 7	Which statement does **not** describe a relationship between an equitable distribution of income and economic growth? (A) Higher aggregate supply leads to greater equality of income over time. (B) Economic growth over time may reduce equality of income in market-based economies. (C) Income inequality lowers aggregate demand due to the different propensities to consume. (D) Some level of income inequality should encourage business investment and economic activity.

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2020 Paper 1 Section 1 Question 8

Excerpt from the Reserve Bank of Australia's *Statement on Monetary Policy*

The increase in interest rates — the first in five years — is necessary to help sustain non-inflationary growth into the future … Although the timing of the move has been influenced by the latest rise in US interest rates, the move itself is driven by the marked turnaround in Australia's domestic economic conditions.

…

Good growth is expected to continue into the foreseeable future, aided by a gradual pick-up in the world economy. Household spending has increased strongly over the past year and should continue to do so in the present climate of rising incomes and confidence.

Identify the most likely outcome of the movement in interest rates discussed in the statement.

(A) Household consumption levels in Australia would continue to rise.
(B) Production pressures in the Australian economy would decrease.
(C) The Australian economy would be moved from its equilibrium.
(D) The Australian dollar would depreciate against the US dollar.

2020 Paper 1 Section 1 Question 9

Consider the following data.

- Employment in public administration and education has risen by 2.5 percentage points.
- Employment in recreation and retail has fallen by 2.3 percentage points.

Which statement correctly identifies the economic problem and the response required?

	Economic problem		**Policy response**
(A)	Resources are underutilised	so	fiscal policy should be contractionary.
(B)	Total unemployment has fallen	so	demand management should be neutral.
(C)	Cyclical economic activity is slowing	so	monetary policy should be expansionary.
(D)	Structural unemployment has decreased	so	aggregate supply policies should be used.

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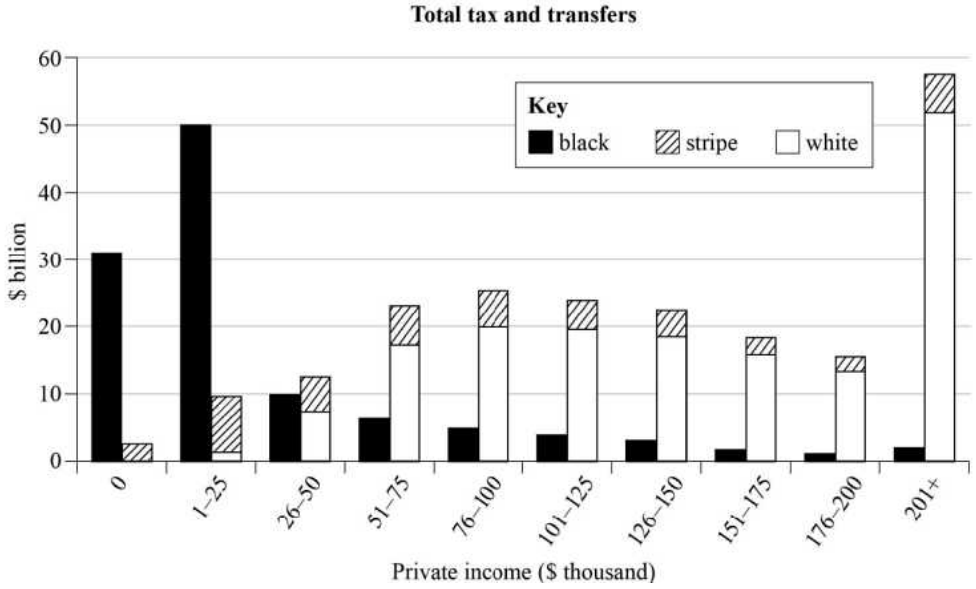
2020
Paper 1
Section 1
Question 10

The graph shows estimated taxes paid and transfers received by Australian householders.



Identify the components of the key in the graph.

	Black	**Stripe**	**White**
(A)	Company tax	Goods and services tax	Capital gains tax
(B)	Family tax benefits	Goods and services tax	Personal income tax
(C)	Disability payments	Age pension	Personal income tax
(D)	Unemployment benefits	Capital gains tax	Company tax

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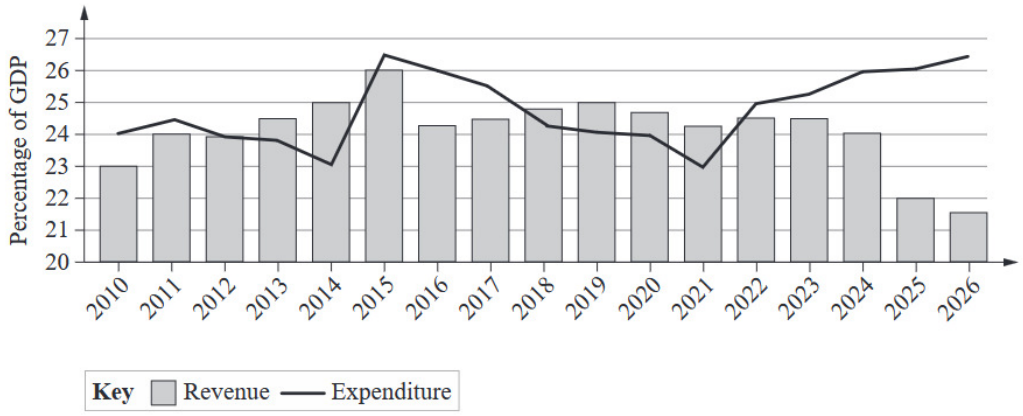
2024 Paper 1 Section 2 Question 11	The federal government decides to significantly increase spending on military defence over the long term. Describe the concept of opportunity cost using an example based on the given scenario. How might this decision have an impact on the federal government's objective of stabilising the economic cycle? [4 marks]

2024 Paper 1 Section 2 Question 12	The graph shows a hypothetical situation faced by an Australian federal government budget in 2026.  a) Describe the economic issue shown and explain the two causes. [6 marks]

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b) Identify two funding solutions the federal government should consider and explain one limitation of each. [4 marks]

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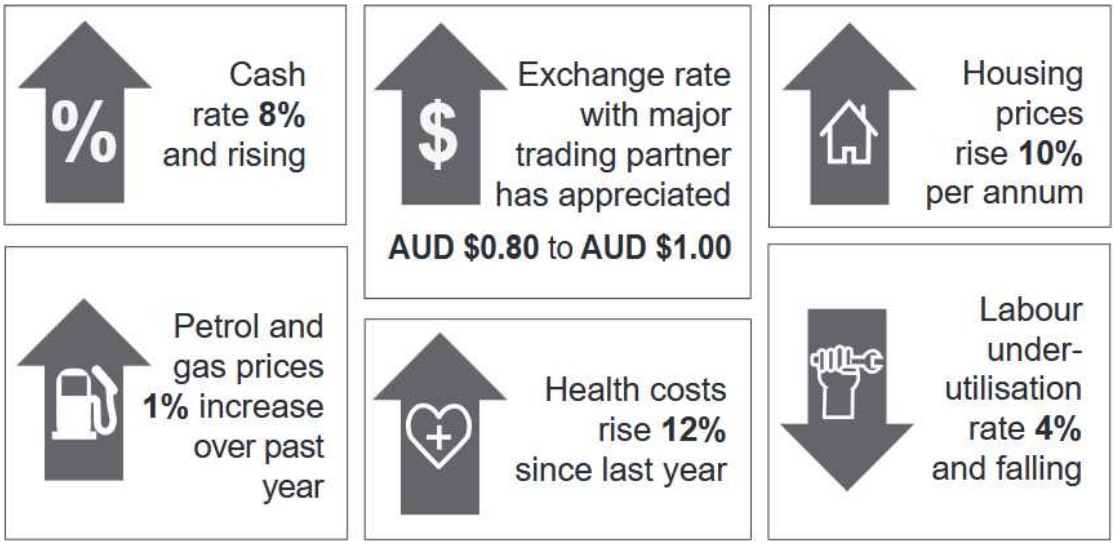
2024
Paper 1
Section 2
Question 13

Hypothetical annual data for an economy similar to Australia's economy is shown.



Analyse the data to decide whether its central bank should continue its current monetary policy stance.

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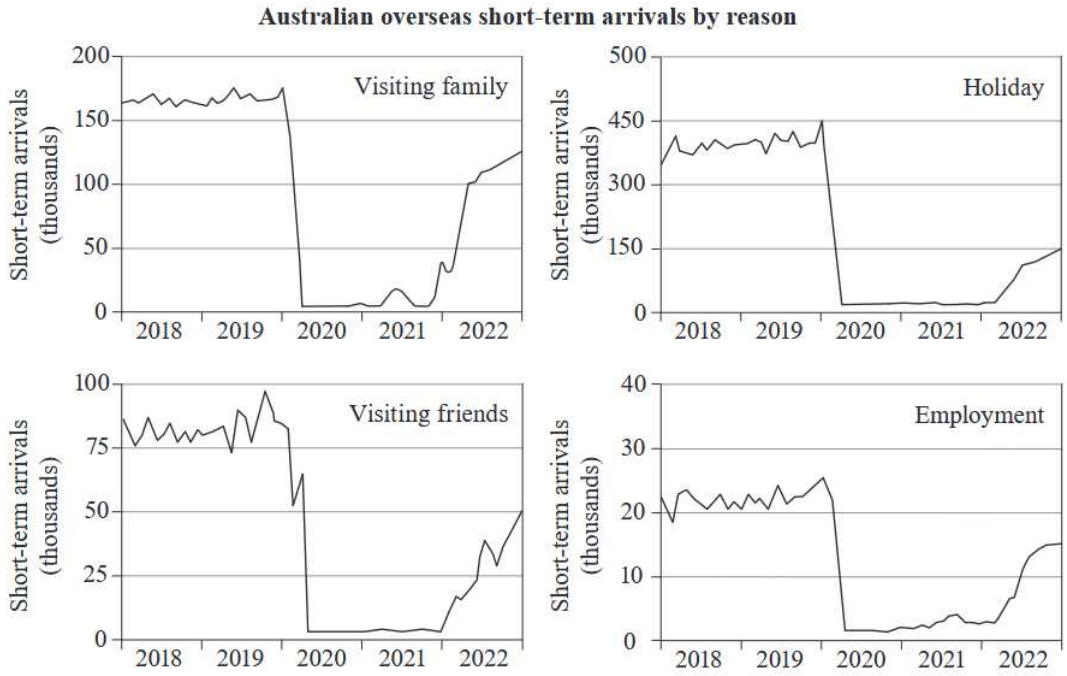
2024
Paper 1
Section 2
Question 14

The graphs refer to a hypothetical scenario of Australia's international travel exports.



Calculate the percentage change of the arrival that has recovered the least from the start of 2020 to the end of 2022. Using economic terms, write an annotation that suggests a reason why this arrival has not fully recovered.

Calculation space, include your working.

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	Annotation (bullet points)

2023 Paper 1 Section 2 Question 11	Explain one way that monetary policy is transmitted through the Australian economy following a rise in interest rates. [4 marks]

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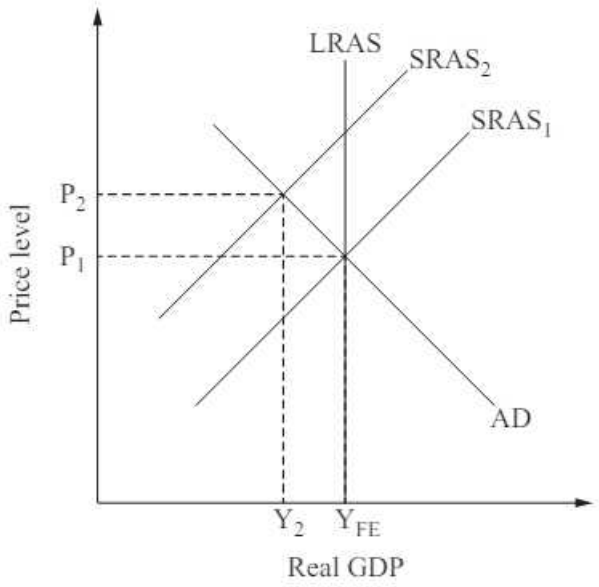
2023 **Paper 1** **Section 2** **Question 12**	Assume the graph represents a recent event experienced by the Australian economy that required economic management.  Explain a likely cause and short-term effect of the event. [4 marks]

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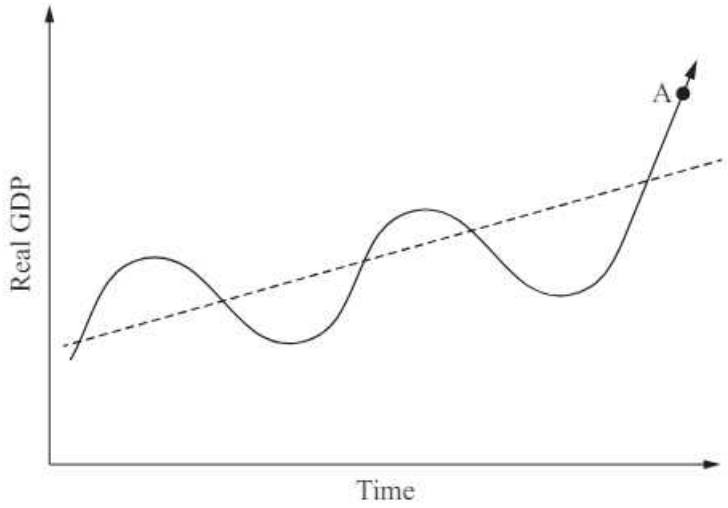
2023 **Paper 1** **Section 2** **Question 13**	Assume that the economy is at point A on the economic cycle and the Australian Government is considering its fiscal policy response.  Explain what is happening with income tax receipts at point A and whether income tax should be reduced. [8 marks]

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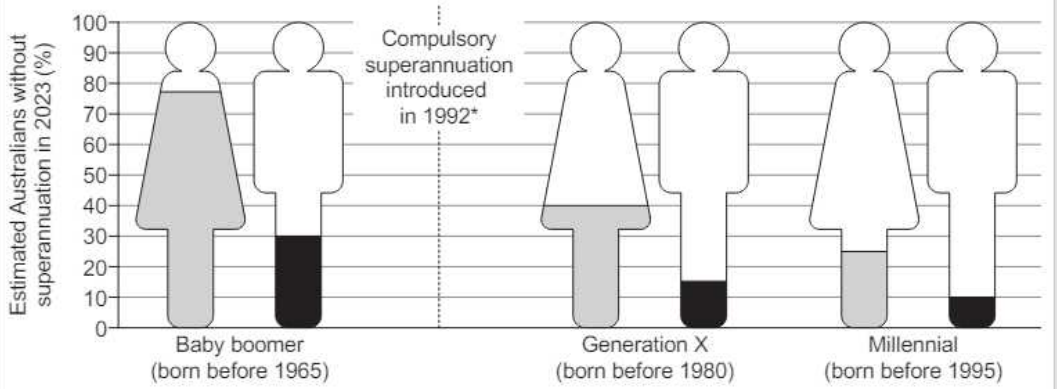
2023
Paper 1
Section 2
Question 14

The data and information shown represent an economic issue in Australia.

Superannuation is a percentage payment from current income by an employee. The purpose is to save for a future income in retirement.

Policy option 1	*Policy option 2*
Women given incentive to top up personal superannuation accounts	**One-off taxation levy for low superannuation balances**
Five-year income tax discount to older women if they pay significantly more into their superannuation fund each year …	All Australians pay a one-off additional tax on their 2024 income to fix an identified inequity …



* The introduction of compulsory superannuation in 1992 incentivised more Australians to save for their retirement. The nature of compounding magnifies the effect of early contributions to superannuation.

Estimated work arrangements in Australia

	1990		2020	
	Women (%)	Men (%)	Women (%)	Men (%)
Full-time	30	70	45	70
Part-time	40	10	30	10
Casual	30	20	25	20

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	Analyse the economic issue indicated in the data and economic information provided. Which policy option should the government implement to improve equity in economic prosperity for all Australians? [13 marks]

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2022 Paper 1 Section 2 Question 11	Country A is dependent on oil exports. Their major oil destination country has discovered an environmentally sustainable substitute for oil. Explain and illustrate the effect on Country A using two different economic models. [8 marks]

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2022 Paper 1 Section 2 Question 12	These measures are extracts from an Australian federal budget scenario. 1. Introduction of a temporary budget repair levy on incomes over $150 000 for three years. 2. Assistance for low-income single parents with a new allowance of $1000 per annum for each child aged 6 to 12. 3. Continuation of the move by the former government to increase the Age Pension age limit to 69 by 1 July 2023, and further increase the Age Pension age limit to 72 by 1 July 2035. 4. A temporary pause on CPI indexation of payments and programs including eligibility thresholds for Family Tax Benefit and JobSeeker; thresholds for the Medicare Levy Surcharge, Private Health Insurance Rebate and most Medicare Benefits Schedule fees; and Local Government Financial Assistance Grants. 5. A reduction in the growth of federal hospital and education funding to make the states more accountable for spending and delivery of services. Based on the initiatives presented, explain the fiscal stance in this federal budget. [7 marks]

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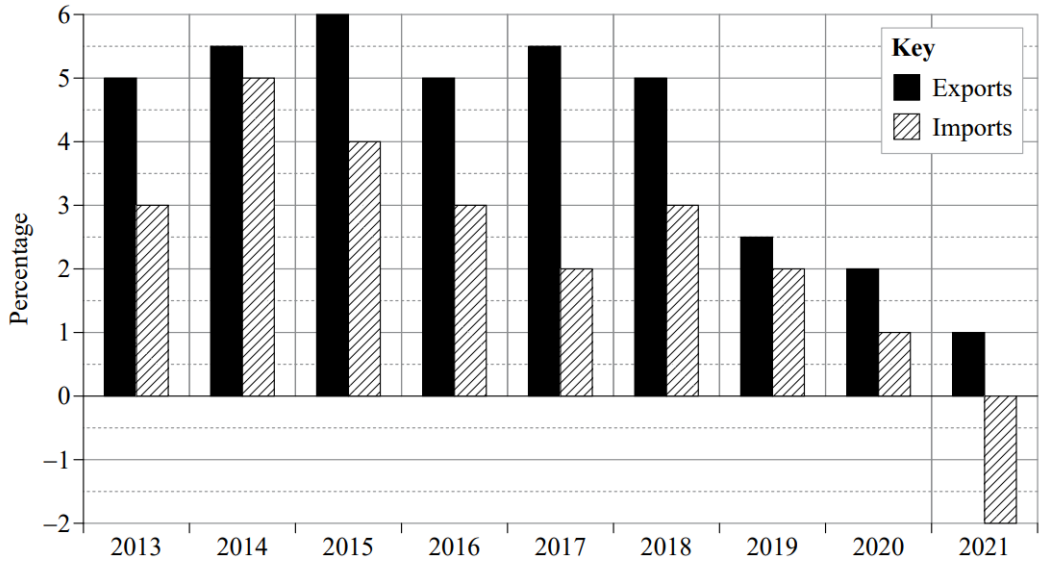
2022
Paper 1
Section 2
Question 13

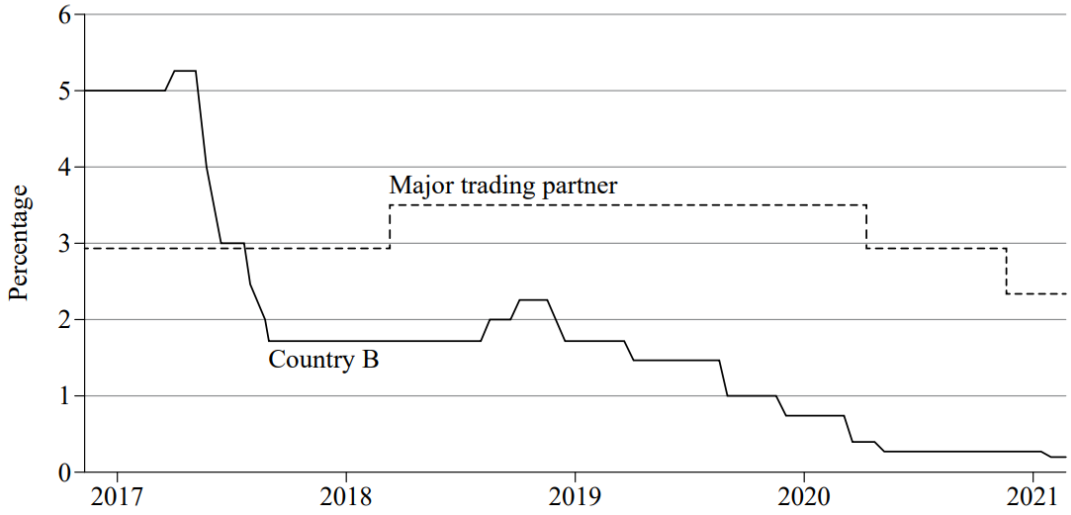
The data represents a hypothetical economic situation.

Country B: Exports and imports with the major trading partner

Year-on-year percentage change in value



Central bank interest rates



Interpret the trend in Country B's trade balance to draw a conclusion about whether its own or the major trading partner's interest rates will have a greater effect on Country B's economic growth.

Assume the exchange rate of Country B is fixed. [12 marks]

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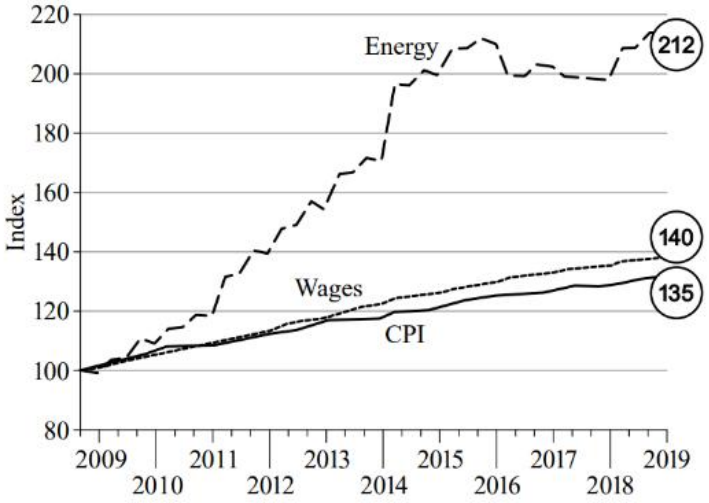
2021 Paper 1 Section 2 Question 11

Analyse Sources 1-3 in the stimulus book to explain the impact of electricity prices on small and medium-sized businesses over the years 2014 to 2019. Draw a short-term AD/AS diagram in the space provided to support your explanation. [12 marks]

Source 1

Energy prices compared to CPI and wage growth in Australia



Source 2

Analysis of small business retail energy bills in Australia, 2019

Small and medium-sized enterprises (SMEs) contribute more than 60% of the industry value added in the Australian economy. For SMEs, the cost of electricity and gas has significant implications for both employment and economic growth.

Source 3

Business in Australia by size, 2019 (estimated)

	Number of employees	Number of businesses in 2019		Employment
		'000	% of total	% of total
Small	0–19	2046	96	47
of which	*0*	*1306*	*61*	
	1–4	*509*	*24*	
	5–19	*231*	*11*	
Medium	20–199	81	4	23
Large	200+	6	0.3	30
Total		**2133**	**100**	**100**

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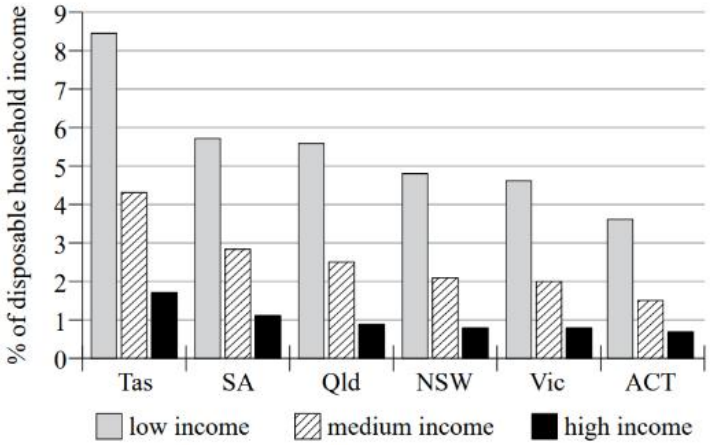
2021 Paper 1 Section 2 Question 12

Use Sources 4-7 in the stimulus book to evaluate the extent to which monetary policy is the appropriate policy lever to improve economic prosperity for Australian low-income households. [13 marks]

Source 4

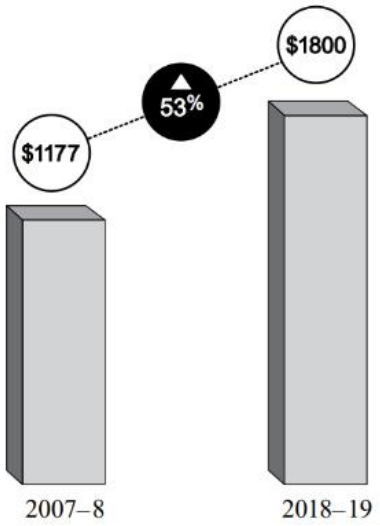
Percentage of disposable household income needed to pay the average electricity bill, 2019



Note: Not all states and territories are represented in the data.

Source 5

Average household electricity bills per annum in Australia



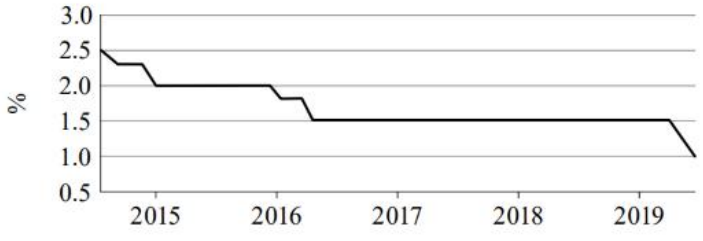
Source 6

Quote from Australia's Federal Treasurer, 2019

It is the Government's expectation, indeed it is the public's expectation, that banks should pass on in-full to consumers the benefits of reduced funding costs as a result of the Reserve Bank's decision.

Source 7

Australia's cash rate



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2020 Paper 1 Section 2 Question 11	The JobSeeker payment is the main income support payment for Australians over 22 years of age who are unemployed and looking for work. Explain how automatic stabilisers operate and describe how JobSeeker payments stabilise the economic cycle. Draw a diagram in the space provided to support your answer. [6 marks]

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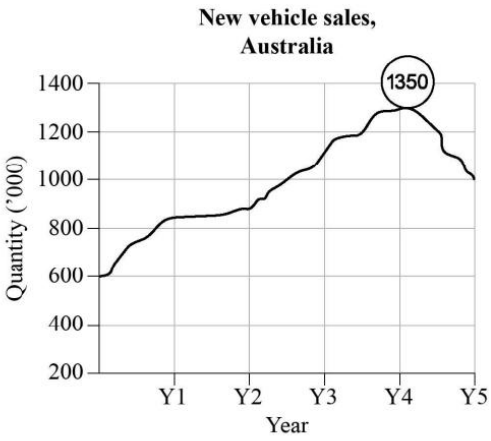
2020
Paper 1
Section 2
Question 12

Hypothetical data and economic information is provided.



Analyse the data and economic information to explain the impact on the household sector of a 75 basis point cash rate decrease from the current cash rate (ceteris paribus). Provide two reasons to justify your answer. [9 marks]

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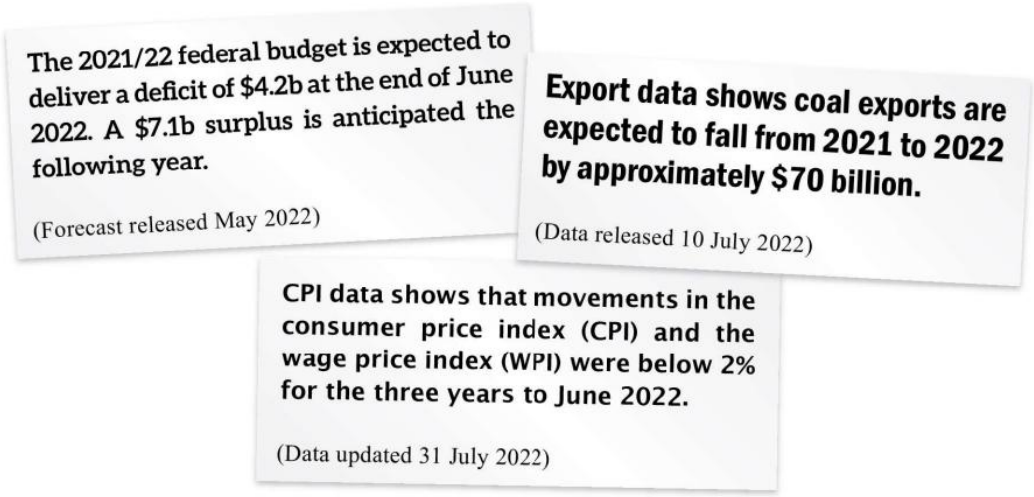
2020 **Paper 1** **Section 2** **Question 13**	An economic scenario is provided.  Use the scenario to explain two relationships and their economic effects. Evaluate the merit of achieving a budget surplus in your answer. [9 marks]

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Paper 1 Section 3

2024 Paper 1 Section 3 Question 15

Instructions
• Respond in 400 600 words.
• This section has one question and is worth 21 marks.

Use all of Sources 1–8 to analyse the economic issue and evaluate a demand-side and a supply-side approach being taken by Australian governments. Draw a conclusion about which approach is more effective, using the criterion of future employment. [21 marks]

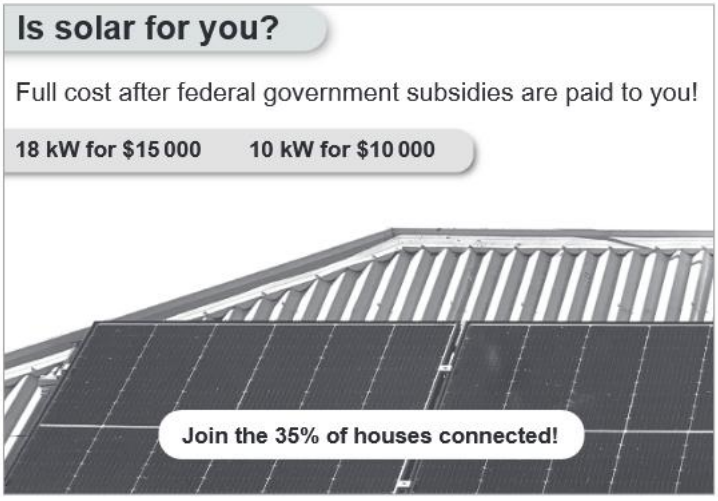
Source 1: Extreme global weather events, 1945 to 2024

	Storm	Flood	Drought	Other
1945–1964	200	80	<10	<10
1965–1984	380	420	25	21
1985–2004	1390	1450	340	360
2005–2024	2000	3200	400	680

Source 2: State Government media release, 2024

The $5 billion CopperString Project 2032 is the largest expansion to the power grid in Australia. It links to the North West Minerals Province (375 000 square kilometres), an area that contains one of the world's richest deposits of critical minerals, worth an estimated $500 billion.

Source 3: Solar panel advertisement



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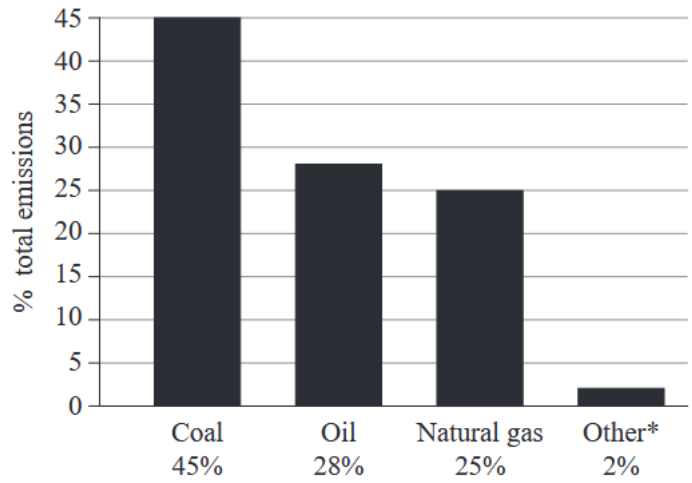
Source 4: Scientific statement

There is evidence that non-renewable energy is a major contributor to climate change due to carbon emissions.

Australian weather disasters are damaging food, transport and major export industries and assets.

Source 5: Global carbon emissions by source, 2023



*Including renewable energy sources

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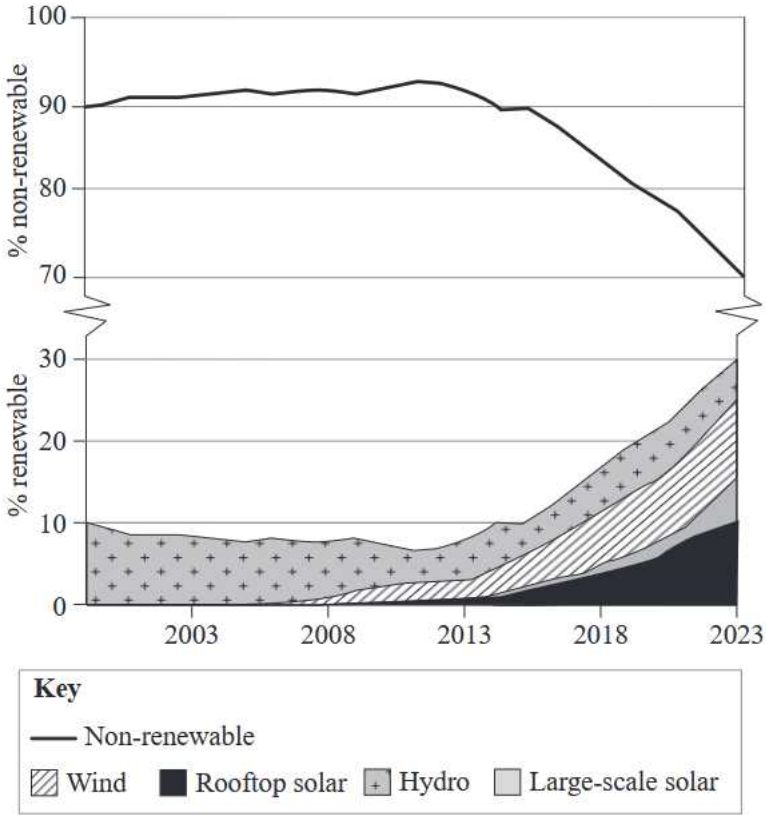
Source 6: National electricity generation by fuel type



Source 7: Economic commentary, 2024

Emerging technologies rely on critical minerals that are important to the production of electric vehicles, renewable energy projects and storage, and low-emission power sources. The location of these minerals is accessed through a small, separate power grid that is gas-fired. The existing system is not enough for processing minerals or associated manufacturing.

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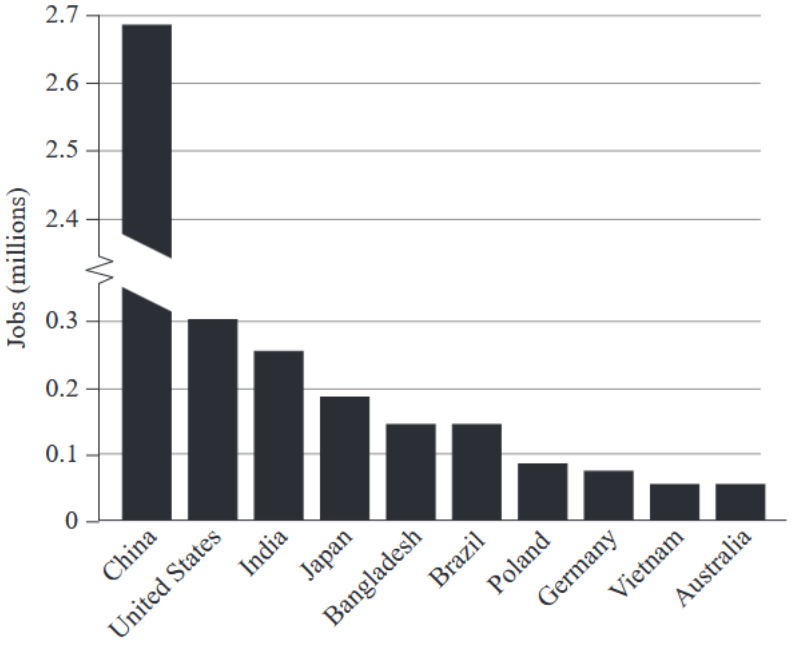
Source 8: Global solar production employment, top 10 countries, 2023



China has 63% of solar jobs

The top 10 countries have 87% of solar jobs

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2023
Paper 1
Section 3
Question 15

Instructions

• This section has one question and is worth 22 marks.
• Respond in 400 600 words.

Use all Sources 1–8 in the stimulus book to prepare your response.

Explain the rationale for the scenario presented to reduce payroll tax in Australia. Evaluate the benefits and costs using the perspectives of households, businesses and government. [22 marks]

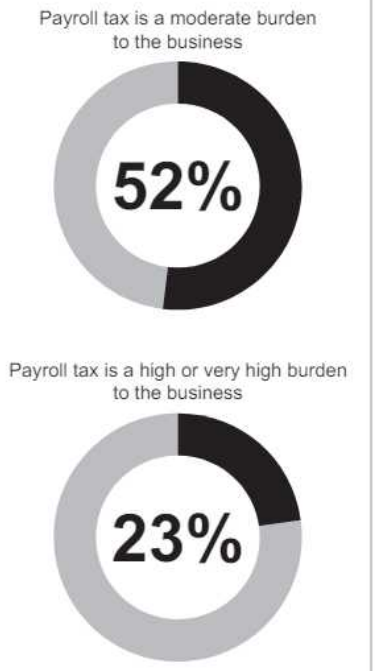
Source 1: Excerpt from article

In an era of low unemployment, payroll tax policy and its implementation across Australia are controversial.

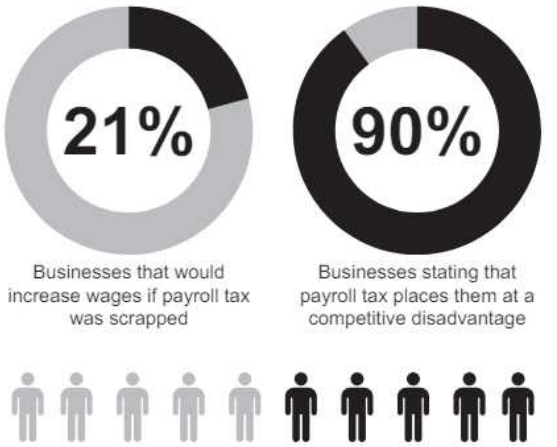
Payroll tax, on average around 5%, is levied by states and paid by employers based on employees' salaries …

It is the largest state and territory-levied tax, providing $30 billion in revenue in 2022.

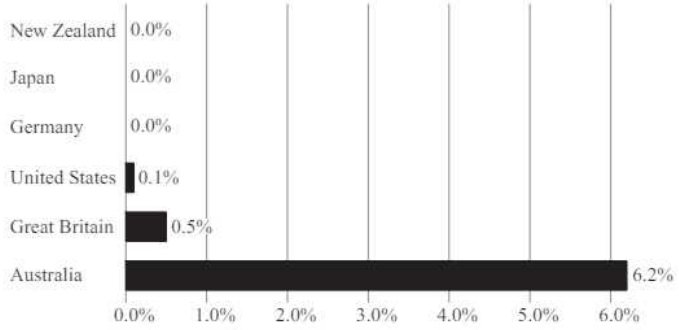
Source 2: Excerpt from 2021 survey of Australian businesses that pay payroll tax



Source 4: Excerpt from 2021 survey of Australian businesses that pay payroll tax



Source 6: Payroll tax as a percentage of taxes raised, 2022



Source 7: Excerpt from news article, 2023

The problems associated with the deficit are increased by spending pressures during 2020–22. Spending as a share of gross domestic product (GDP) is projected to grow in terms of public investment needs, including government interest payments.

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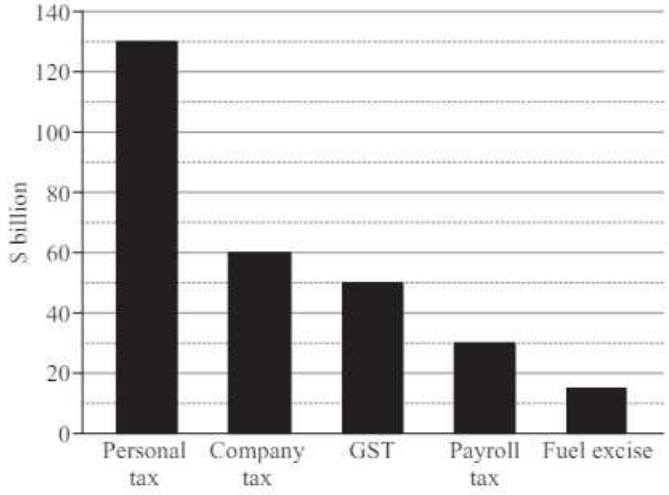
Source 3: The top five taxes paid in Australia by revenue, 2022



Source 5: Comment from industry representative

'Some stakeholders criticise payroll tax on the grounds that it is a tax on employment and as such acts as a drag on economic activity ... However, in practice, the cost of paying the tax can be passed on either to employees ... or to consumers ...'

Source 8: Payroll tax in Australia, 2022

State	Annual threshold	Tax rate
Victoria	$650 000	4.85% or 2.43% for regional employers
New South Wales	$1 200 000	4.85%
Western Australia	$1 000 000 >$1 m and <$7.5 m >$100 m and <$1.5 b Above $1.5 b	5.50% 5.50% See **Note** See **Note**
Queensland	Under $1 300 000 $1.3 m to $6.5 m Above $6.5 m	0% 4.75% or 3.75% for regional employers 4.95%

Note: 5% for wages up to $100 million + 6% for wages from $100 million to $1.5 billion + 6.5% for wages above $1.5 billion.

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2021
Paper 1
Section 3
Question 13

Instructions
• Respond in paragraphs consisting of full sentences.
• Respond in 400–600 words.
• This section has one question and is worth 25 marks.

Use Sources 8–14 in the stimulus book to evaluate which policy would be a more effective response to Australia's ageing population: a policy that targets incentives to save for retirement or a policy that targets labour supply. [25 marks]

Source 8

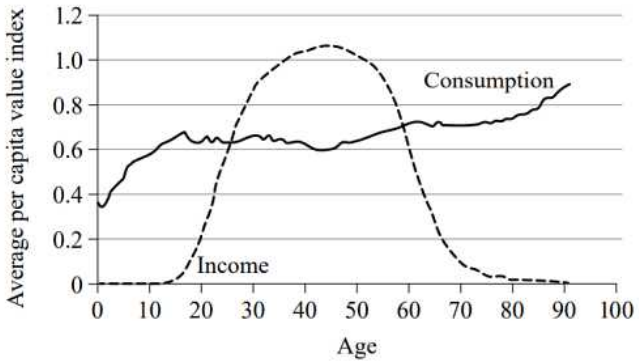
Australia's population projections: Percentage of total population

Age group	2015	2055
0–14	18.8	17.4
15–64	66.2	60
65–84	13	17.7
85 and over	2	4.9

Note: Assume Australians are eligible for the age pension from 65 years of age.

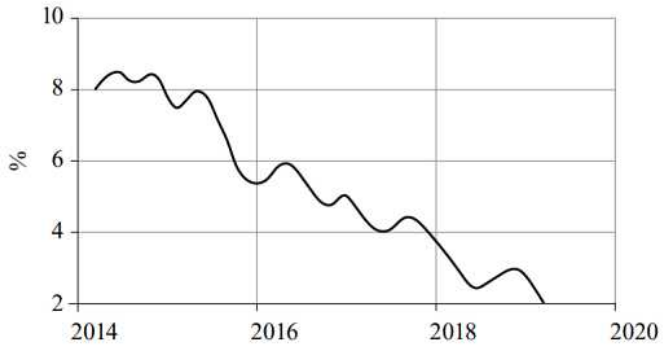
Source 9

Earning and eating across age groups



Source 10

Ratio of household income saved to household net disposable income in Australia



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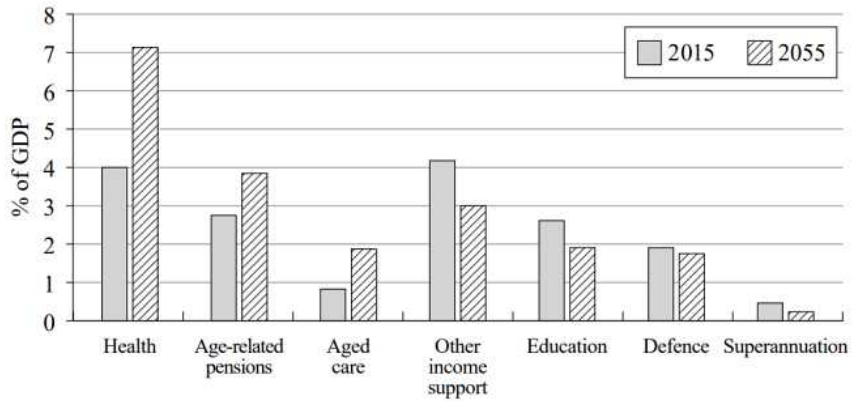
Source 11

Australian Budget spending projections



Source 12

Labour force participation rate, 2018

	25–54 years	55–64 years	65+ years
Australia	84.4	66.7	14.0
Canada	87.0	66.5	14.0
USA	82.1	65.0	19.6
Japan	87.4	77.0	24.7
New Zealand	87.4	79.9	24.2
Korea	79.3	68.8	32.2
OECD	82.4	63.9	15.3

Source 13

Information about the superannuation guarantee, 2020

In Australia, retirement income is funded by personal savings, government pensions (available to lower income households) and forced savings in the form of superannuation.

All workers have a superannuation guarantee of 9.5% of their wages paid into a superannuation fund to be used to support their households in retirement.

Commentators have stated that postponing an increase of the superannuation guarantee to 12% would put the burden of funding current workers' retirement onto future taxpayers.

Source 14

Excerpt from *Turning Grey into Gold* report, 2019

The nature of work is changing. Australia has transformed from a manual-based to a knowledge-based economy. This move away from physically demanding work opens up more opportunities for older workers.

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2022 **Paper 1** **Section 3** **Question 14**	Instructions • Respond in paragraphs consisting of full sentences. • This section has one question and is worth 28 marks. • Respond in 400 600 words. Sources 1-7 in the stimulus book present the Australian economy in a fictional setting. Analyse Sources 1-7 to evaluate the costs and benefits of changing the monetary policy stance from the perspective of Australian households. [28 marks] **Source 3: Pension incomes, 2024** The government pension remains a main source of income for many retirees. 'About 3 million Australian households need their personal savings to support themselves', according to a government spokesperson. **Source 4: Census data** In recent times, there has been much public debate about the rate of home ownership and housing affordability. According to the 2023 Census of Population and Housing, there were nearly 8.8 million households in Australia. Where household tenure was known, 67% (5.9 million households) were homeowners, of which 48% (2.8 million) did not have a mortgage. Further, 32% (1.9 million households) were renters. Note: The following sources have not been published for copyright reasons. Whilst these have not been published, the headings are still useful as a reference to the types of sources that may appear. **Source 1: Spending in Australia** **Source 2: Labour market** **Source 5: Household debt as a percentage of net disposable income, 2024** **Source 6: Non-residential construction prices** **Source 7: Motor vehicle sales**

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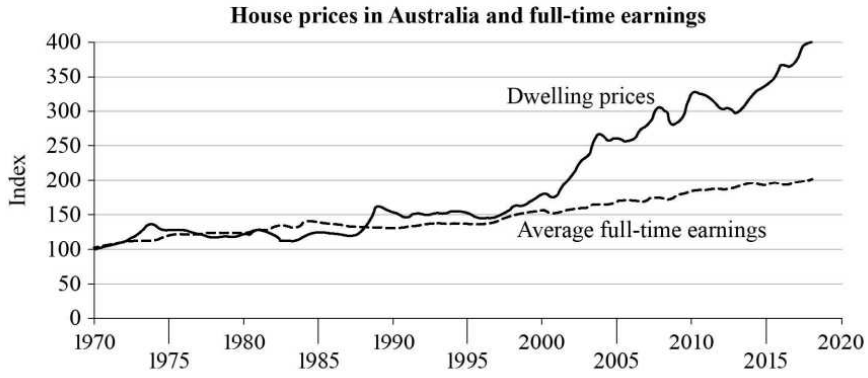
2020 Paper 1 Section 3 Question 14	Instructions • This section has one question and is worth 28 marks. • Respond in 400-600 words

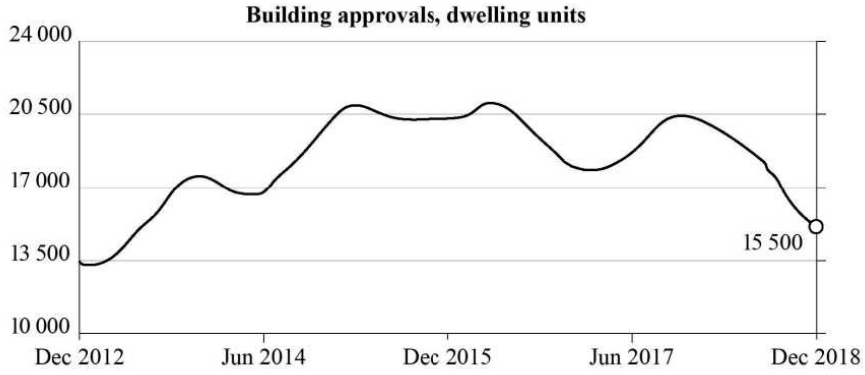
Stimulus 1



Stimulus 2

Low-income households are defined as the bottom 40% of households. Housing costs greater than 30% of household income are referred to as 'financial housing stress'.

Stimulus 4



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Stimulus 5

Excerpt from media release, 2019

According to a new Regional Australia Institute report, the average outer suburban Sydney worker earns $80 088, slightly more than the $71 281 pay packet of their regional city counterpart. But the cost of an average house would be halved by making a tree change[1], with an outer Sydney suburban house costing $1 006 105 compared to just $500 967 in regional centres.

Stimulus 6

Excerpt from Senate Committee report, 2008

[The] Director of the Social Justice Research Centre at the University of New South Wales, insisted that housing costs cannot be looked at in isolation from transport costs and transport time. The long distances and times that many people face going to and from work have implications not only for them but for the economy.

Stimulus 8

Summary from Australian Government report, 2019

The Infrastructure Australia audit (2019) projects that the total costs of productivity loss in Australia's large cities will be $39.6 billion in 2031, identifying significant challenges and potential in the years ahead. The majority of the cost is attributable to road congestion, at $38.8 billion per annum. The remainder is the cost of public transport crowding.

Note: Stimulus 3 and 7 have not been provided due to copyright reasons.

Use stimulus 1-8 in the stimulus book to evaluate whether government intervention to influence either housing demand or housing supply would be more effective in reducing housing price pressure and improving living standards. [28 marks]

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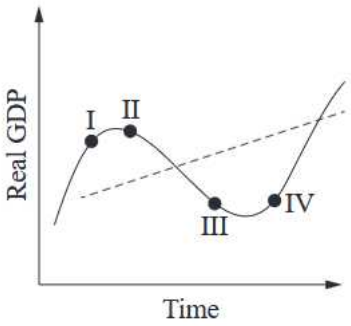
Marking Guide – Paper 1 Section 1

2024 Paper 1 Section 1 Question 1	In the Australian federal budget, the spending component that has increased most significantly over the past five years is **(A) the National Disability Insurance Scheme. – Answer** (B) public order and safety. (C) childcare subsidies. (D) medical benefits.

2024 Paper 1 Section 1 Question 2	The principal medium-term objective of monetary policy is to (A) influence the value of the Australian dollar. (B) increase gross domestic product. (C) reduce structural employment. **(D) control inflation. – Answer**

2024 Paper 1 Section 1 Question 3	Ceteris paribus, what is the effect of a significant increase in migration to Australia? (A) The labour supply curve expands. (B) The aggregate demand curve expands. (C) The aggregate supply curve shifts to the left. **(D) The housing demand curve shifts to the right. – Answer**

2024 Paper 1 Section 1 Question 4	At which point in the economic cycle should an increase in the cash rate have the desired effect?  **(A) I – Answer** (B) II (C) III (D) IV

2024 Paper 1 Section 1 Question 5	Which is an example of an automatic stabiliser? (A) infrastructure expenditure (B) electric vehicle subsidies **(C) unemployment benefits – Answer** (D) veteran payments

2024 Paper 1 Section 1 Question 6	Which of the following is **not** an aim of microeconomic reform? **(A) reducing unemployment in the short run – Answer** (B) improving the productivity of sectors in the long run (C) enhancing the international competitiveness of targeted industries (D) changing the allocation of economic resources to specific industries

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2024 Paper 1 Section 1 Question 7	Ceteris paribus, a shift in the long run aggregate supply curve should occur when (A) household saving ratios fall. **(B) average pension age decreases. – Answer** (C) median household income increases. (D) worker productivity remains constant.

2024 Paper 1 Section 1 Question 8	The Australian government is aiming to achieve sustainable budgets over time. Which factor makes this challenging? (A) heavy reliance on direct taxation (B) higher retirement age of employees **(C) change in the demographic structure in the economy – Answer** (D) greater infrastructure funding after national flood events

2024 Paper 1 Section 1 Question 9	Assume the economy is at a trough position on the economic cycle. **ECONOMIC UPDATE** • A tighter overseas monetary policy is expected to contribute to weaker global GDP growth. • International supply chain delays are reducing. • The university sector is moving to online teaching to reach international students. What should the monetary policy stance be after the updated economic data is taken into account? **(A) expansionary, because there will be less injections from the international sector – Answer** (B) neutral, because income flow between some sectors is balanced (C) neutral, because supply chains are developing new trade routes (D) contractionary, because the economy is expanding

2024 Paper 1 Section 1 Question 10	Assume this current data represents an economy similar to Australia's economy. **Unemployment** 4.0% **Underemployment** 5.8% **Underlying inflation** 6.5% **Headline inflation** 7.3% **Non-accelerating inflationary rate of unemployment** 3.8% **Real gross domestic product per annum** 1.8% **Wage Price Index** 3.1% **Public debt** 120% of GDP Ceteris paribus, which are the appropriate economic management decisions? (A) monetary policy contractionary and fiscal policy expansionary **(B) monetary policy contractionary and fiscal policy neutral – Answer** (C) monetary policy neutral and fiscal policy contractionary (D) monetary policy neutral and fiscal policy neutral

2023 Paper 1 Section 1 Question 1	At different stages of the business cycle, automatic stabilisers always act to **(A) change aggregate demand. – Answer** (B) increase aggregate demand. (C) decrease aggregate demand. (D) maintain aggregate demand.

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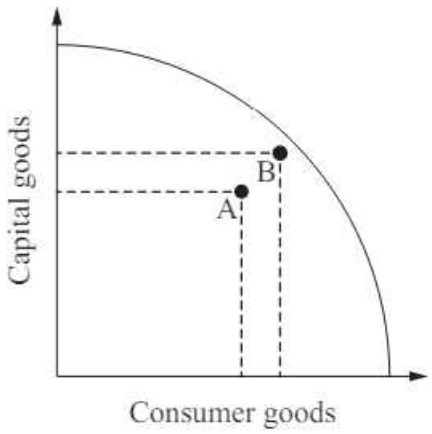
2023 Paper 1 Section 1 Question 2	If the Australian Government decided to reintroduce an inheritance tax, this policy would (ceteris paribus) (A) increase the budget deficit. (B) raise Australia's foreign debt. **(C) improve the distribution of income and wealth. – Answer** (D) encourage people to save for their retirement income.

2023 Paper 1 Section 1 Question 3	A movement in the cash rate from 3% to 4.5% is equal to (A) 0.15 percentage points. **(B) 150 basis points. – Answer** (C) 150 per cent. (D) 15 per cent.

2023 Paper 1 Section 1 Question 4	Inflation targeting (A) guarantees that inflation remains within a band of 2% to 3%. **(B) assists with managing an economy's inflation expectations. – Answer** (C) encourages the banking sector to pass on rate changes. (D) is most effective with cost-push inflation issues.

2023 Paper 1 Section 1 Question 5	Assume the government significantly increases excise taxes on fuels to encourage more electric vehicles. How will this initiative affect the Australian economy? (A) increase domestic-based inflation (B) increase the supply of electric cars (C) raise employment in the Australian car industry **(D) raise transportation costs of fruit and vegetables – Answer**

2023 Paper 1 Section 1 Question 6	To improve housing affordability, a government plans to release more land for houses and introduce a first home owners' grant. The likely impact is that house prices (A) should increase. (B) should decrease. **(C) cannot be predicted. – Answer** (D) would remain unchanged.

2023 Paper 1 Section 1 Question 7	 The movement of an economy from point A to point B could be attributed to (A) moving manufacturing and research and development projects overseas. **(B) increasing productivity in export-focused industries and technology change. – Answer** (C) reducing investment in manufacturing and reducing cyclical unemployment. (D) an overseas supply chain issue changing production of consumer and capital goods.

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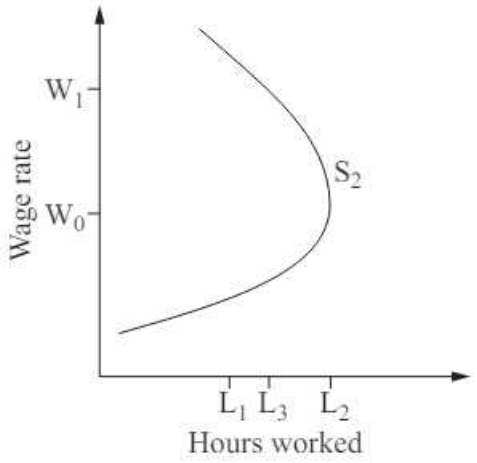
2023 Paper 1 Section 1 Question 8	If the Reserve Bank of Australia increases interest rates relative to our trading partners, it will cause (ceteris paribus) (A) a depreciating effect on the exchange rate. (B) a reduction in the federal budget deficit. **(C) an inflow of foreign financial capital. – Answer** (D) a decrease in export prices.

2023 Paper 1 Section 1 Question 9	A government is interpreting a model of a labour supply curve in a highly developed economy.  Assuming the average wage moves from W_0 to W_1, employees' marginal propensity to consume leisure will **(A) increase. – Answer** (B) decrease. (C) remain constant. (D) decrease at an increasing rate.

2023 Paper 1 Section 1 Question 10	The data shows an economic scenario over a three-year period. **Year 1** | **Year 2** | **Year 3** **Nominal GDP ($ billion)** | 700 | 730 | 745 **Budget surplus ($ billion)** | 100 | 115 | 140 Which economic policies would improve this situation? (A) raising the age pension and increasing income taxes (B) selling government assets and reducing retirement age (C) increasing retirement age and decreasing health expenditure **(D) increasing job seeker payments and decreasing income taxes – Answer**

2022 Paper 1 Section 1 Question 1	What is the primary aim of microeconomic reform? (A) improve living standards (B) reduce income inequality **(C) increase economic efficiency – Answer** (D) decrease demand-pull inflation

2022 Paper 1 Section 1 Question 2	The significance of aggregate supply policies in Australia's economic history was that they (A) increased the availability of local goods and services. **(B) maximised sustainable economic growth. – Answer** (C) achieved short-run employment gains. (D) supported domestic businesses.

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2022 Paper 1 Section 1 Question 3	How is microeconomic reform represented in the aggregate demand / aggregate supply (AD/AS) model? **(A) The AS curve shifts to the right and real gross domestic product increases. – Answer** (B) The AD curve shifts to the right and real gross domestic product increases. (C) There is an expansionary movement along the AS curve and real gross domestic product increases. (D) There is an expansionary movement along the AS and AD curves and real gross domestic product increases.

2022 Paper 1 Section 1 Question 4	A proposal to change Australia's GST to a rate of 15% would be aiming to (A) stabilise aggregate demand in the economy. (B) decrease government revenue. (C) contract the economy. **(D) broaden the tax base. – Answer**

2022 Paper 1 Section 1 Question 5	Assume there is an increase in Australians preferring to rent rather than buy their own home. The effect on the transmission mechanism would be (ceteris paribus) (A) a change to how the transmission mechanism is channelled. **(B) a decrease in the effective size of the transmission mechanism. – Answer** (C) quicker interest rate changes so banks maintain their profit levels. (D) a shorter time frame for the cash rate to be transmitted throughout the economy.

2022 Paper 1 Section 1 Question 6	Assume the Australian federal treasurer has handed down a deficit budget for the coming fiscal year, and subsequently there is a sudden downturn in consumer demand. The most likely change to the budget is (ceteris paribus) (A) no change in unemployment benefit payments and the budget target is still achievable. (B) an increase in unemployment benefit payments and a smaller budget deficit. (C) a decrease in unemployment benefit payments and a smaller budget deficit. **(D) an increase in unemployment benefit payments and a larger budget deficit. – Answer**

2022 Paper 1 Section 1 Question 7	Australia's monetary policy is less effective when the economy is (A) recovering, because excess production capacity limits employment growth. **(B) in a trough, because the average propensity to save is high due to lower consumer confidence. – Answer** (C) in a downturn, because political considerations discourage potential reductions in the cash rate. (D) booming, because businesses are concerned that interest rates will rise so they reduce their investments.

2022 Paper 1 Section 1 Question 8	Assume a central bank is concerned that house prices have increased in the past year. Which situation would be most likely to encourage the central bank to increase the official interest rate? (A) Inflation increases from below 1% and housing approvals continue to rise. (B) There is a short-term increase in house purchases causing current consumption to fall. **(C) There is a continuous increase in both house prices and consumer debt relative to wage growth. – Answer** (D) The housing price index increases in capital cities and does not change in other populated areas.

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2022 Paper 1 Section 1 Question 9	Which policy mix is the most appropriate in the following scenario? • Annual consumer price index movement: (Y_0) 100 to (Y_1) 102. • Nominal gross domestic product movement: (Y_0) $9.3 billion to ($Y_1$) $9.5 billion. • Non-accelerating inflationary rate of unemployment: (Y_0) 4.5% to (Y_1) 4.0%. • Dwelling approvals have fallen slightly from Y_0 to Y_1. (A) expansionary monetary and fiscal policy **(B) neutral monetary and fiscal policy stance – Answer** (C) expansionary monetary policy and neutral fiscal policy stance (D) neutral monetary policy and fiscal policy that contracts the economy

2021 Paper 1 Section 1 Question 1	A primary economic objective of the Australian Government's budget in 2021 was (A) reducing inflation. **(B) keeping employment high. – Answer** (C) maintaining a stable exchange rate. (D) achieving a current account surplus.

2021 Paper 1 Section 1 Question 2	The results of a cash rate decision are a reduction in interest payments on debt and an increase in the amount of income available for households and businesses. Which channel of the transmission mechanism is this cash rate change an example of? (A) savings and investment (B) asset price and wealth (C) sector income **(D) cash flow – Answer**

2021 Paper 1 Section 1 Question 3	In contrast to macroeconomic policy, microeconomic reform aims to (A) limit government intervention in markets. (B) raise the competitiveness of export businesses. **(C) improve the allocative efficiency of resource use. – Answer** (D) increase long-term growth in growth domestic product.

2021 Paper 1 Section 1 Question 4	An economy is experiencing decreasing levels of economic activity. A cause for unemployment rates remaining at 5% (ceteris paribus) might be **(A) A reduction in the number of hours worked. – Answer** (B) an increase in unemployment benefits. (C) a rise in the number of school leavers. (D) a delay in workers retiring.

2021 Paper 1 Section 1 Question 5	Assume the Australian Government has simplified regulations in the medical and pharmaceutical industries. Identify the expected changed to the aggregate demand/aggregate supply diagram (ceteris paribus). (A) Average prices rise and GDP decreases because the aggregate supply curve shifts to the left. **(B) Average prices fall and GDP increases because the aggregate supply curve shifts to the right. – Answer** (C) Average prices rise and GDP increases due to an expansionary movement along the aggregate supply curve. (D) Average prices fall and GDP decreases due to a contractionary movement along the aggregate supply curve.

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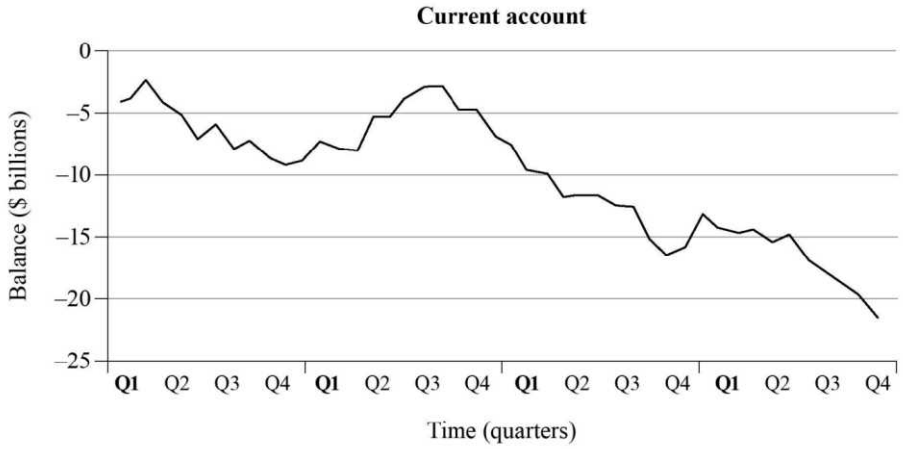
2021 Paper 1 Section 1 Question 6	Which country would be most likely to experience a longer time lag in economic growth following a cash rate change (ceteris paribus)? (A) a country where marginal propensity to consume is 0.7 (B) a country where marginal propensity to import is 0.7 (C) a country where marginal propensity to invest is 0.7 **(D) a country where marginal propensity to save is 0.7 – Answer**

2021 Paper 1 Section 1 Question 7	Identify the correct statement

	Economic management policy		Outcome
(A)	Increasing the goods and services tax to improve tax efficiency	leads to	an increase in household standard of living.
(B)	Raising the tax-free threshold to lift household consumption	leads to	an increase in equity in income distribution.
(C)	Repaying Federal Government debt to overseas residents	leads to	an expansion in short-term economic activity.
(D)	Promoting competition in the financial industry	leads to	a reduction in unemployment.

Answer is B.

2021 Paper 1 Section 1 Question 8	Assume the current account has shown the trend in the graph for the last 16 quarters.



Which fiscal strategy would be most effective in addressing this issue in Australia (ceteris paribus)?

(A) stimulating the economy to encourage spending on domestic goods and services – Answer
(B) liberalising trade policies to make the economy more competitive
(C) replacing overseas borrowing with domestic sources of finance
(D) improving the efficiency of the foreign exchange market

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2021 Paper 1 Section 1 Question 10	The table shows labour market data for an economy. **Year** / **Labour force ('000)** / **Employed persons ('000)** **2021** / 580 / 550 **2022** / 790 / 760 Based on the data in the table, fiscal policy measures (A) should be avoided because the number of employed persons has increased. (B) do not need to be changed because the employment rate is unchanged. **(C) could be contractionary because the employment rate is falling. – Answer** (D) could be expansionary because the employment rate is rising.

2020 Paper 1 Section 1 Question 1	In a situation where monetary policy is changed, the transmission mechanism will depend on (A) changes to the structure of the economy over time. (B) asset and wealth values of high-income households. (C) the substitutability of imports and domestic goods and services. **(D) whether households and firms respond by saving more now or later. – Answer**

2020 Paper 1 Section 1 Question 2	Assume the Australian Government tightens regulations on working holiday visas. The economic effect of this policy would be (ceteris paribus) **(A) a fall in the supply of seasonal labour. – Answer** (B) a rise in the supply of seasonal labour. (C) a fall in the demand for seasonal labour. (D) a rise in the demand for seasonal labour.

2020 Paper 1 Section 1 Question 3	In Australia, taxation bracket creep (A) is the result of indexing income tax bands to inflation. (B) compensates taxpayers on the threshold taxation levels. **(C) raises tax revenue without explicitly increasing tax rates. – Answer** (D) occurs when tax revenue and expenditure work in opposition.

2020 Paper 1 Section 1 Question 4	Within a total government budget of $300 billion, the planned surplus for the year was $4 billion. In that year, the actual budget recorded an unplanned increase of $6 billion in government expenditure. In the following year, the planned deficit was $2 billion. This suggests that **(A) The budget outcome is expansionary. – Answer** (B) The budget outcome is contractionary. (C) the government is aiming to repay debt. (D) the government expects a recession in the following year.

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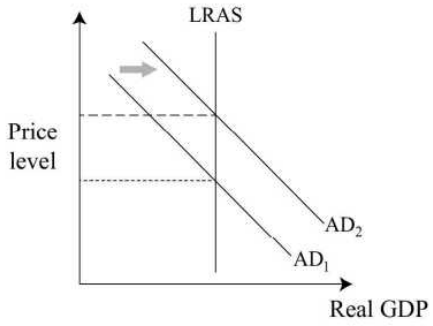
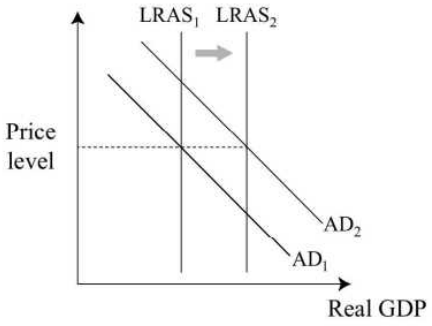
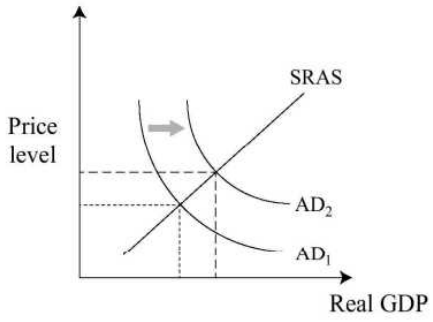
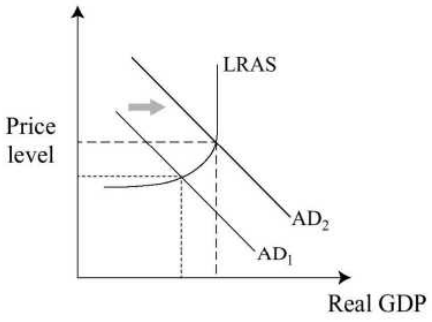
2020 Paper 1 Section 1 Question 6	Which diagram best represents the trade-offs that should be considered with demand management policies at different points of the economic cycle? (A)  (B)  (C)  (D)  **Answer is D.**

2020 Paper 1 Section 1 Question 7	Which statement does **not** describe a relationship between an equitable distribution of income and economic growth? **(A) Higher aggregate supply leads to greater equality of income over time. – Answer** (B) Economic growth over time may reduce equality of income in market-based economies. (C) Income inequality lowers aggregate demand due to the different propensities to consume. (D) Some level of income inequality should encourage business investment and economic activity.

2020 Paper 1 Section 1 Question 8	**Excerpt from the Reserve Bank of Australia's *Statement on Monetary Policy*** The increase in interest rates — the first in five years — is necessary to help sustain non-inflationary growth into the future … Although the timing of the move has been influenced by the latest rise in US interest rates, the move itself is driven by the marked turnaround in Australia's domestic economic conditions. … Good growth is expected to continue into the foreseeable future, aided by a gradual pick-up in the world economy. Household spending has increased strongly over the past year and should continue to do so in the present climate of rising incomes and confidence. Identify the most likely outcome of the movement in interest rates discussed in the statement. (A) Household consumption levels in Australia would continue to rise. **(B) Production pressures in the Australian economy would decrease. – Answer** (C) The Australian economy would be moved from its equilibrium. (D) The Australian dollar would depreciate against the US dollar.

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2020 Paper 1 Section 1 Question 9

Consider the following data.

- Employment in public administration and education has risen by 2.5 percentage points.
- Employment in recreation and retail has fallen by 2.3 percentage points.

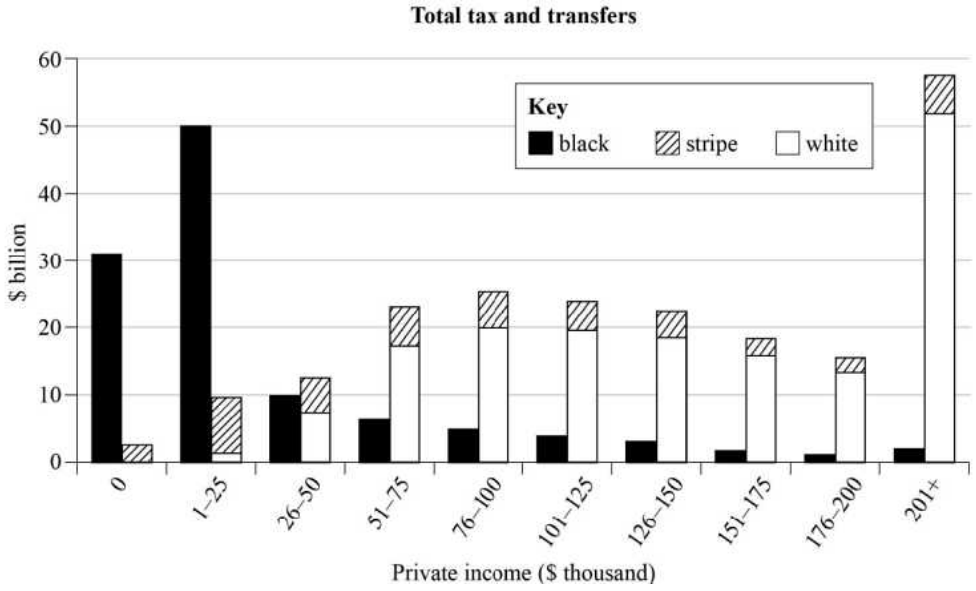
Which statement correctly identifies the economic problem and the response required?

	Economic problem		Policy response
(A)	Resources are underutilised	so	fiscal policy should be contractionary.
(B)	Total unemployment has fallen	so	demand management should be neutral.
(C)	Cyclical economic activity is slowing	so	monetary policy should be expansionary.
(D)	Structural unemployment has decreased	so	aggregate supply policies should be used.

Answer is C.

2020 Paper 1 Section 1 Question 10

The graph shows estimated taxes paid and transfers received by Australian householders.



Identify the components of the key in the graph.

	Black	Stripe	White
(A)	Company tax	Goods and services tax	Capital gains tax
(B)	Family tax benefits	Goods and services tax	Personal income tax
(C)	Disability payments	Age pension	Personal income tax
(D)	Unemployment benefits	Capital gains tax	Company tax

Answer is B.

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2024 Paper 1 Section 2 Question 11

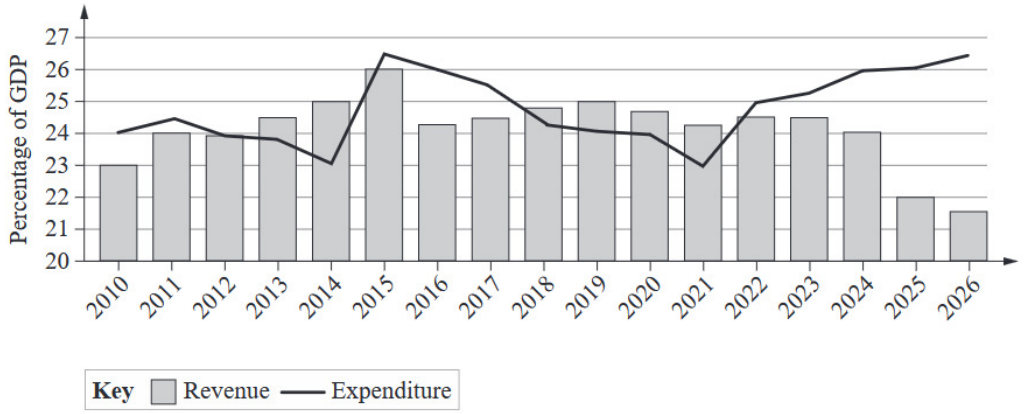
The federal government decides to significantly increase spending on military defence over the long term.

Describe the concept of opportunity cost using an example based on the given scenario. How might this decision have an impact on the federal government's objective of stabilising the economic cycle? [4 marks]

Sample response	The response
A fiscal opportunity cost involves the choice between a budget decision chosen and the next best spending alternative, e.g. to increase defence spending instead of additional spending on education. Significant and long-term expenditure restricts the government's capability to stabilise the economic cycle over time, because it locks in higher recurring spending. In this situation, the government would be less able to respond to peak or trough economic conditions.	**Opportunity cost**
	[1 mark] • describes opportunity cost as the next best pending alternative
	[1 mark] • provides a relevant example
	Spending
	[1 mark] • explains how military spending restricts the government's ability to stabilise the economic cycle
	[1 mark] • uses an accurate detail

2024 Paper 1 Section 2 Question 12

The graph shows a hypothetical situation faced by an Australian federal government budget in 2026.



a) Describe the economic issue shown and explain the two causes. [6 marks]

Sample response	The response
The situation shows that the government budget has a widening deficit, currently 5% of GDP in 2026. This has been increasing over the last five years for two reasons. Firstly, government revenue has fallen from 24.5% of GDP in 2022 to 21.5% in 2026, indicating household and business taxable incomes are not rising, due to the economy slowing or not growing as fast as the population. Second, government expenditures have increased solidly from a low of 23% of GDP in 2021 to a high of 26.5% in 2026. This may be due to Australia's ageing population, which leads to higher government health and pension spending.	**Issue**
	[1 mark] • identifies the issue as a budget deficit of 5% of GDP in 2026
	[1 mark] • identifies the ↑ deficit over the past 5 years
	Revenue
	[1 mark] • quantifies the ↓ revenue over time, using data and dates
	[1 mark] • explains a valid cause of ↓ revenue
	Expenditure
	[1 mark] • quantifies the ↑ expenditure over time, using data and dates
	[1 mark] • explains a valid cause of ↑ expenditure

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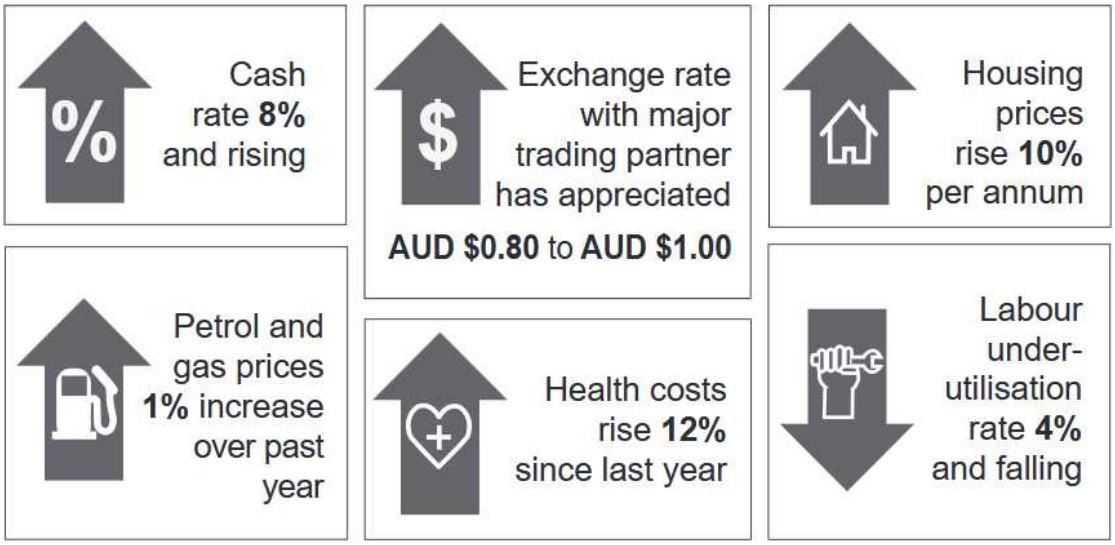
b) Identify two funding solutions the federal government should consider and explain one limitation of each. [4 marks]

Sample response	The response
Past surpluses could be used to fund the deficit; however, the data shows that there have not been sufficient surpluses to fund the current deficits. The government could also explore ways to increase the taxation base to reverse the fall in budget revenue. The limitation here is the short political cycle of three years, which makes changing tax rates challenging	**Solution 1** [1 mark] • identifies a valid funding solution [1 mark] • explains a limitation of the funding solution given **Solution 2** [1 mark] • identifies a different valid funding solution [1 mark] • explains a limitation of the funding solution given

2024 Paper 1 Section 2 Question 13

Hypothetical annual data for an economy similar to Australia's economy is shown.



Analyse the data to decide whether its central bank should continue its current monetary policy stance.

Sample response	The response:	
The economy appears to be in an expansionary phase of the economic cycle. This is evidenced by the low labour underutilisation rate of 4% and falling, indicating a high demand for labour and the potential for inflation. It is further supported by the rising rate of health costs (12%) and housing prices (10%), which both indicate inflationary pressures, as their costs are difficult to avoid or minimise. However, there are three forces that are offsetting the rising domestic demand pressures. Petrol and gas prices are not inflationary, as they have only risen 1% annually, which may reflect falling international prices for oil or the dollar's appreciation. With the appreciation of the economy's dollar to parity with its major trading partner, export demand should be falling. This is because export prices would be rising, making them less competitive in international markets. Further, demand for imports would be rising, as their prices fall due to the dollar's appreciation, meaning greater withdrawals from the economy and contractionary forces. Consequently, assuming the data is representative of the whole economy, the central bank could hold off on further cash rate rises while it monitors opposing forces within the economy.	**Expansionary (4 marks)**	
	• identifies inflation pressures exist	[1 mark]
	• interprets labour forces as expansionary, using data	[1 mark]
	• interprets ↑ health costs as inflationary, using data	[1 mark]
	• interprets ↑ housing costs as inflationary, using data	[1 mark]
	Contractionary (4 marks)	
	• identifies offsetting contractionary forces exist	[1 mark]
	• interprets petrol prices are not inflationary, using data	[1 mark]
	• interprets $AUD effect on exports as contractionary	[1 mark]
	• interprets $AUD effect on imports as contractionary	[1 mark]
	Decision (3 marks)	
	• makes a decision about MP movements	[1 mark]
	• provides reasoning for the decision made	[1 mark]
	• describes a caveat	[1 mark]

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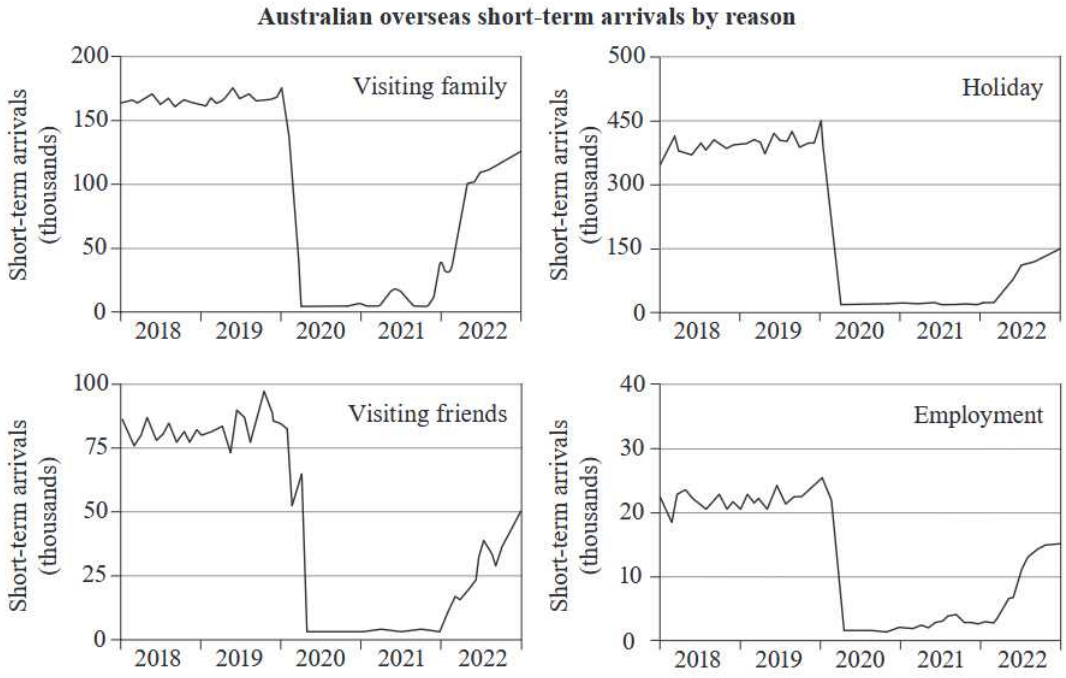
2024 Paper 1 Section 2 Question 14

The graphs refer to a hypothetical scenario of Australia's international travel exports.



Calculate the percentage change of the arrival that has recovered the least from the start of 2020 to the end of 2022. Using economic terms, write an annotation that suggests a reason why this arrival has not fully recovered.

Sample response	The response
$\frac{150-450}{450}\times 100 = -67\%$ • overseas holiday arrivals have fallen the most, by 67% • holidays represent more discretionary spending	[1 mark] • notes the formula for change
	[1 mark] • calculates a number correctly
	[1 mark] • identifies holiday arrivals and % change
	[1 mark] • identifies a reason using economic terms

2023 Paper 1 Section 2 Question 11

Explain one way that monetary policy is transmitted through the Australian economy following a rise in interest rates. [4 marks]

Sample response	The response
Interest rate rises directly impact cash payments and receipts in the economy. Mortgage holders have less disposable income to spend because their loan payments increase. Consequently, businesses experience higher stock, so they reduce production, which reduces income to households. The result is that aggregate demand will be slower than before the change.	• identifies the transmission mechanism flow **[1 mark]**
	• explains the flow-on effects from one perspective **[1 mark]**
	• explains the flow-on effects from another perspective **[1 mark]**
	• connects the changes to the effect on a macroeconomic objective **[1 mark]**

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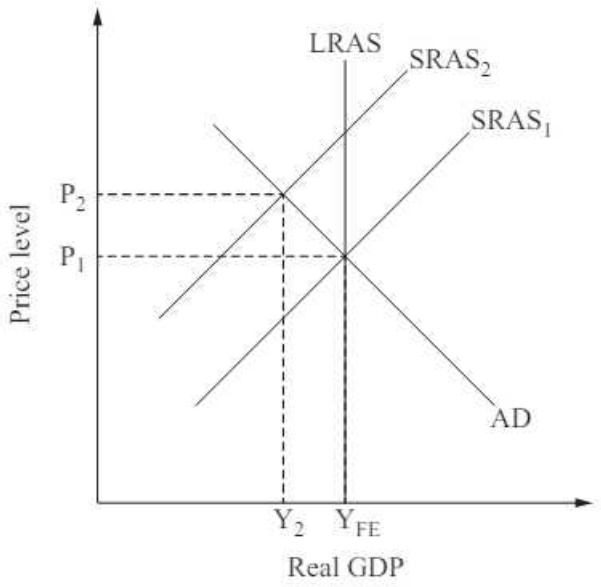
2023 Paper 1 Section 2 Question 12

Assume the graph represents a recent event experienced by the Australian economy that required economic management.



Explain a likely cause and short-term effect of the event. [4 marks]

Sample response	The response
The graph shows a decrease in short-run aggregate supply as a shift from $SRAS_1$ to $SRAS_2$ and to less than full employment (Y_2). This would be experienced when a natural disaster reduces the supply of a major crop, e.g. a cyclone in north Queensland damaging a season of bananas. The result would be less bananas supplied in the short-term, causing GDP to fall to Y_2 and short-term inflation of food prices from P_1 to P_2.	• accurately describes the graph as a short-run aggregate supply shift or decrease **[1 mark]** • explains a likely supply-side cause that leads to inflation **[1 mark]** • states the short-term effect on prices from P_1 to P_2 and Y_2 **[1 mark]** • identifies a relevant causal event **[1 mark]**

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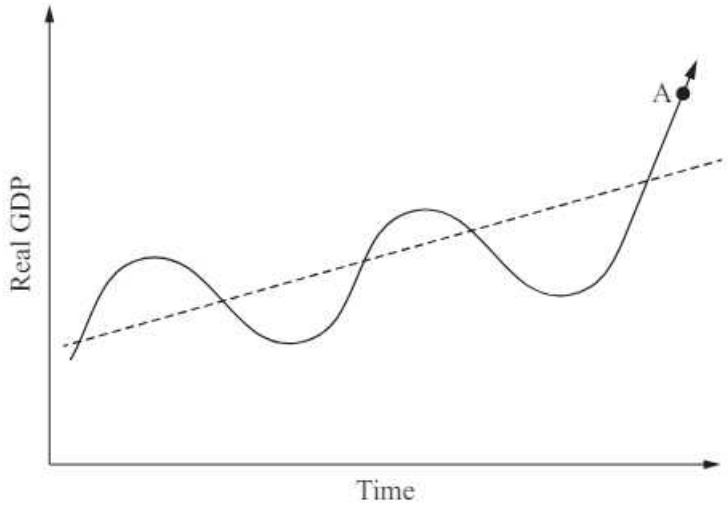
2023 Paper 1 Section 2 Question 13

Assume that the economy is at point A on the economic cycle and the Australian Government is considering its fiscal policy response.



Explain what is happening with income tax receipts at point A and whether income tax should be reduced. [8 marks]

Sample response	The response
The economic cycle diagram shows an economy that is expanding and is currently above previous peaks, indicating full economic capacity and inflation pressures. Here, income tax receipts in Australia would be working as automatic stabilisers to slow economic growth. As household incomes rise during economic growth, an increasing proportion will be taken as tax, causing a reduction in consumer spending and slowing aggregate demand in the economy. Discretionary fiscal policy of reducing income tax would stimulate the economy at a time that it needs to be contracting, and conflict with the automatic stabiliser operating at point A. Reducing income tax means households have greater disposable income, so the resulting higher demand will increase existing inflation pressures at point A, proving this is not the correct policy response.	Automatic stabiliser [4 marks] • describes the economy as overheating and inflationary pressures existing **[1 mark]** • describes that automatic stabilisers are working at the peak of the cycle to slow economic activity **[1 mark]** • identifies that more income tax is paid as incomes are higher at the peak of the cycle **[1 mark]** • explains stabilising reasoning using CFY model **[1 mark]** Discretionary spending [4 marks] • identifies that ↓ income tax is the incorrect fiscal response **[1 mark]** • describes that ↓ income tax would stimulate the economy at a time it should be contracting **[1 mark]** • identifies that ↓ income tax would conflict with the automatic stabiliser **[1 mark]** • uses rising inflation to support the appropriate fiscal response **[1 mark]**

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2023 Paper 1 Section 2 Question 14

The data and information shown represent an economic issue in Australia.

Analyse the economic issue indicated in the data and economic information provided. Which policy option should the government implement to improve equity in economic prosperity for all Australians? [13 marks]

Sample response	The response
Economic issue [3 marks]	**Analysis [4 marks]**
• identifies the economic issue **[1 mark]** • uses data to quantify the scale of the superannuation problem over time (s2) **[1 mark]** • uses data to quantify the problem of older Australians and females with inadequate superannuation **[1 mark]**	• identifies pattern about superannuation, using data **[1 mark]** • draws meaning from insufficient retirement funds **[1 mark]** • uses data from casual and part-time or full-time work in 2020 and 1990 **[1 mark]** • identifies that female retirement saving issue has improved over time, using data **[1 mark]**
For option 1 [3 marks]	**For option 2 [3 marks]**
• describes a cost of option 1 **[1 mark]** • describes a benefit of option 1 **[1 mark]** • makes a decision based on equity compared to option 2 using economic reasoning **[1 mark]**	• describes a cost of option 2 **[1 mark]** • describes a benefit of option 2 **[1 mark]** • makes a decision based on equity compared to option 1 using economic reasoning **[1 mark]**

Sample response

The economic problem is centred on the approximately 75% of women in the baby boomer age group who have no superannuation for retirement (s2). While Australians born before 1985 have less superannuation, this impacts particularly women, with only 25% of older women with superannuation compared to 70% of men.

In Australia, a comparison of work arrangements in 2020 and 1990 shows women tend to work fewer hours than men. This means women have less ability to save for retirement than men, as superannuation is paid as a proportion of income. For example, more women work casual (25%) or part-time hours (30%) than men who work casual (20%) or part-time hours (10%) (s3). However, this situation has improved over time, as only 25% of female millennials do not have superannuation.

Option 1 involves a 5-year income tax discount (s3) that helps women to contribute to their own financial security, and the cost of sacrificing current spending and living standards for economic prosperity in the long run (s3). With the benefit of compounding and at their own personal cost, economic prosperity is improved for this disadvantaged group.

Option 2 increases all low-income superannuation balances, which includes older men and women who have not benefited as much from compulsory superannuation (s2). The cost is that every taxpayer is affected because they all bear the cost. This scenario involves a transfer of funds from everyone to help those in need improve their economic prosperity, which seems a more equitable approach.

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2022 Paper 1 Section 2 Question 11

Country A is dependent on oil exports. Their major oil destination country has discovered an environmentally sustainable substitute for oil.

Explain and illustrate the effect on Country A using two different economic models. [8 marks]

The response
For one model [4 marks] • draws an accurate diagram [1 mark] • includes an accurate title, axis labels and relevant notations [1 mark] • describes a clear movement before and after change, using correct terms and refers to diagram [1 mark] • accurately explains the change resulting from the oil substitute discovery [1 mark]
For a second model [4 marks] • draws an accurate diagram [1 mark] • includes an accurate title, axis labels and relevant notations [1 mark] • describes a clear movement before and after change, using correct terms and refers to diagram [1 mark] • accurately explains the change resulting from the oil substitute discovery [1 mark]

Sample Response 1

Diagram 1

Economy of Country A

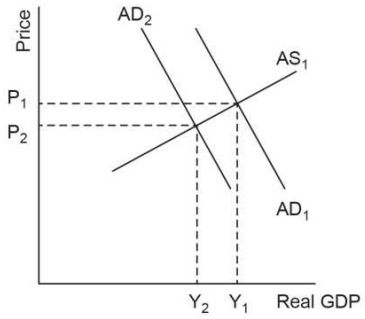
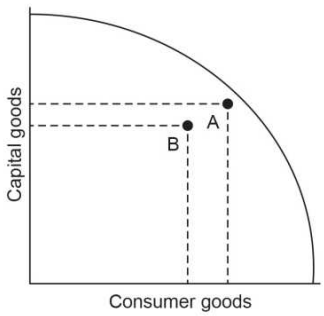


Diagram 2

Production possibility curve of Country A



The aggregate demand / aggregate supply diagram shows the decrease in aggregate demand since demand for oil has fallen because international markets substitute Country A's oil for the cheaper alternative. This causes a decrease in demand from AD1 to AD2, causing the price of oil and quantity sold to fall to a lower equilibrium (P2Y2). The likely consequence is a slowing of the economy's use of resources.

The production possibility curve shows the maximum production possible for Country A, given its existing resources. With less oil being demanded and produced, their oil resources are underutilised, shown by a movement from point A to B. This fall in the employment of resources would be reflected in decreased demand and lower GDP.

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Sample Response 2

Diagram 1

The economic cycle experience by Country A

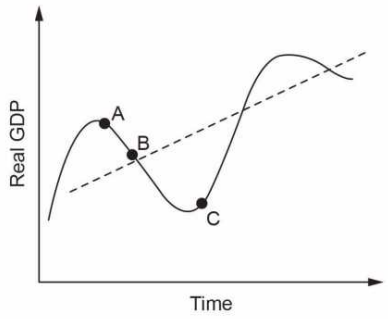
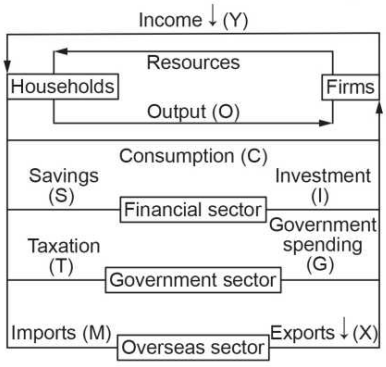


Diagram 2

Circular flow of income model of Country A



The economic cycle diagram shows a slowing of economic activity (point A to B, or B towards C), due to falling economic growth. The cause of the slowing economy is the falling oil export revenues received by Country A. This significant fall in injections is because Country A is dependent on oil exports.

The circular flow of income of Country A would be less, as there are less injections of export income due to their major oil client demanding less oil. This is shown as ↓ X on the diagram, which would lead to less production of oil by firms and less employment within the oil industry. The flow-on effect is lower incomes in the Household sector ↓ Y.

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2022 Paper 1 Section 2 Question 12

These measures are extracts from an Australian federal budget scenario.

1. Introduction of a temporary budget repair levy on incomes over $150 000 for three years.
2. Assistance for low-income single parents with a new allowance of $1000 per annum for each child aged 6 to 12.
3. Continuation of the move by the former government to increase the Age Pension age limit to 69 by 1 July 2023, and further increase the Age Pension age limit to 72 by 1 July 2035.
4. A temporary pause on CPI indexation of payments and programs including eligibility thresholds for Family Tax Benefit and JobSeeker; thresholds for the Medicare Levy Surcharge, Private Health Insurance Rebate and most Medicare Benefits Schedule fees; and Local Government Financial Assistance Grants.
5. A reduction in the growth of federal hospital and education funding to make the states more accountable for spending and delivery of services.

Based on the initiatives presented, explain the fiscal stance in this federal budget. [7 marks]

Sample Response	The response
A temporary increase in taxation on higher income earners via the temporary budget repair levy is contractionary, as it raises government revenue. Other initiatives that reduce government expenditure include raising the pension age and reducing federal funding on hospitals and education. The pausing of indexation of various transfer payments and government programs have a neutral budget impact. There were smaller expansionary measures to assist low-income, single-parent households and to increase the older worker participation rate, however, when combining initiatives, it becomes apparent that the main budget priority is contractionary — to reduce spending to either reduce a budget deficit or stabilise a high rate of economic growth. This assumes the net change in other budget items are nil.	Fiscal stance [7 marks] • classifies the temporary budget repair levy as ↑ government revenue (contractionary) and classifies the ↑ single parent allowance as ↑ government spending (expansionary) [1 mark] • classifies the age pension ↑ as expansionary as participation rate is higher or contractionary as government expenditure falls [1 mark] • classifies the pausing of indexation of transfer payments as not ↑ in government spending (neutral impact) [1 mark] • classifies the ↓ of federal government expenditure on hospitals and education as contractionary [1 mark] • explicitly identifies a fiscal stance [1 mark] • provides accurate details to support the conclusion [1 mark] • assumes ceteris paribus [1 mark]

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2022 Paper 1 Section 2 Question 13

The data represents a hypothetical economic situation.

Interpret the trend in Country B's trade balance to draw a conclusion about whether its own or the major trading partner's interest rates will have a greater effect on Country B's economic growth.

Assume the exchange rate of Country B is fixed. [12 marks]

Sample Response	The response
Country B's exports, a circular flow injection, have fallen from 6% in 2015 to a low of 1%, indicating their major trading partner has been experiencing falling domestic demand — supported by the trading partner's interest rates falling from 2020 to 2021. Country B's imports, an indicator of domestic demand, have fallen consistently from 5% in 2014 to – 2% in 2021, signifying Country B has also lower domestic demand for imported capital resources and goods and services. The monetary policy trend of Country B is expansionary, based on the primarily downward movements in interest rates from a peak of 5.25% in 2017 to a current low of 0.25% since mid-2020. As interest rates have been low for three years, it is unlikely that domestic interest rates would be effective in encouraging economic growth in Country B. What is likely to assist with Country B's economic growth is expansionary monetary policy by the major trading partner, because it has room to lower interest rates from 2.5% to further stimulate their economy. As their economy recovers, the greater spending on exports from Country B will increase the injection of income into Country B, which should, given the circular flow model of income, cause Country B's economy to grow.	Trends [7 marks] • quantifies the trend in export data [1 mark] • draws meaning from the export data [1 mark] • quantifies the trend in import data [1 mark] • draws meaning from the import data [1 mark] • makes a connection between trade data and cash rates of major trading partner [1 mark] • quantifies the trend in MP [1 mark] • interprets the trend in MP as expansionary [1 mark] Conclusion [5 marks] • identifies the relative ineffectiveness of ↓ domestic interest rates further, based on economic growth [1 mark] • explains the decision made on domestic MP effectiveness, with no major flaws [1 mark] • identifies that the trading partner's interest rates will have a positive impact on Country B [1 mark] • explains the decision made on trading partner's MP effectiveness, with no major flaws [1 mark] • provides accurate reasoning regarding a potential ↑ in export demand, which would have a stimulatory impact on EG in Country B [1 mark]

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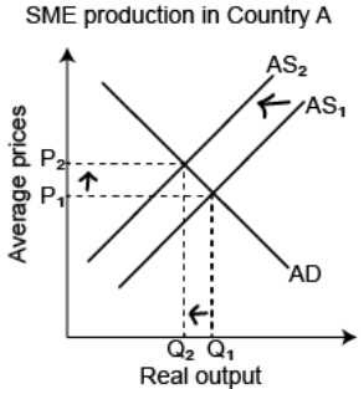
2021 Paper 1 Section 2 Question 11

Analyse Sources 1-3 in the stimulus book to explain the impact of electricity prices on small and medium-sized businesses over the years 2014 to 2019. Draw a short-term AD/AS diagram in the space provided to support your explanation. [12 marks]

Sample Response	The response
 Between 2009 and 2019, price inflation in the Australian energy market outstripped increases in wages and the general price level. CPI and wages have steadily increased by an average of 37 index points. The rate of change of energy prices over the same period has been more dramatic, with prices more than doubling in 10 years, including a 30-point hike in one quarter of 2014. Since then prices have fluctuated within a 10-point range. The overall trend in these prices indicates a structural change in production costs for all businesses, as energy is not a discretionary cost for businesses. Small and medium-sized businesses would be under significant pressure from energy price rises. These businesses are a significant part of the Australian economy, employing almost 70% of the workforce and representing 60% of the value added to the Australian economy. As electricity costs rise, businesses cannot afford to supply the same quantity of product at the same price, so some firms may have gone out of business or reduced production. The result of this would have been a shift in the aggregate supply curve from AS1 to AS2 in the diagram. All things being equal, the result would be higher prices (P2) and less gross domestic product (Q2).	Diagram • accurately draws the AD/AS diagram [1 mark] • accurately includes title and axis labels [1 mark] • draws AS2 shifted inwards and links the explanation to the diagram [1 mark] Trends (Source 1) • identifies ↑ trend in energy prices in 2009–2019 [1 mark] • quantifies trend in 2014–2019 [1 mark] • quantifies one ↑ trend in CPI and wages [1 mark] • infers a relevant effect of ↑ energy prices [1 mark] • calculates a number to make meaning [1 mark] Effect (Sources 2 and 3) • explains an effect of ↑ energy prices on SME employment [1 mark] • includes relevant details in the explanation [1 mark] • uses data from Source 2 in the explanation [1 mark] • uses data from Source 3 in the explanation [1 mark]

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2021 Paper 1 Section 2 Question 12

Use Sources 4-7 in the stimulus book to evaluate the extent to which monetary policy is the appropriate policy lever to improve economic prosperity for Australian low-income households. [13 marks]

Sample response

The data identifies the economic issue of Australia's electricity prices becoming less affordable over time, which is a problem for the living standards of all Australians. In particular, lower income households in all states have less disposable income to absorb increasing prices (except for WA with no data provided). These households pay 30–50% more on electricity than medium-income households as a percentage of disposable income. Further, Tasmanian consumers suffer the highest electricity prices in proportion to average incomes. Specifically, low-income Tasmanian households pay more than 8% of disposable income on electricity bills, compared with 3.5% in the ACT. The broad objective of monetary policy to support the economic welfare and prosperity of Australians indicates the policy lever is not effective to ease electricity price inflation pressures in this situation.

Monetary policy is a blunt economic tool, because cash rate movements cannot be targeted to improve the standard of living of those who are suffering most from electricity price increases. It also has an effectiveness lag, as cash rates tend to influence economic activity in the medium term — not immediately when assistance is needed — because they are dependent on banks passing on cash rate movements. Finally, at current low rates of 1%, it is unlikely that lowering cash rates further would improve the economic welfare or prosperity of those in need, because interest rates are so low as to be ineffective.

The response	The response	The response
• describes the economic issue that electricity prices are less affordable over time (s5) [1 mark] • identifies a relevant reason for the economic issue being important [1 mark] • quantifies the pattern/trend of ↑ electricity prices linking to - disposable Y of low-income HH (s4) [1 mark] - Tasmanian HH (s4) [1 mark] • interprets an identified pattern/trend [1 mark] • calculates a number to make meaning [1 mark]	[3 marks] • makes a valid decision about the effectiveness of MP (s4) • uses economic prosperity as a criterion to support the decision	[4 marks] • effectively uses economic reasoning to support the decision • effectively synthesises an economic idea and links to a perspective
	[2 marks] • makes a valid decision about the effectiveness of MP • identifies a link to economic prosperity	[3 marks] • uses economic reasoning to support the decision • links to an economic idea and a perspective
	[1 mark] • makes a plausible decision about the effectiveness of MP	[2 marks] • uses a plausible economic reason • links to an economic idea and a perspective
	[0 marks] • does not satisfy any of the descriptors above	[1 mark] • identifies a plausible economic reason
		[0 marks] • does not satisfy any of the descriptors above.

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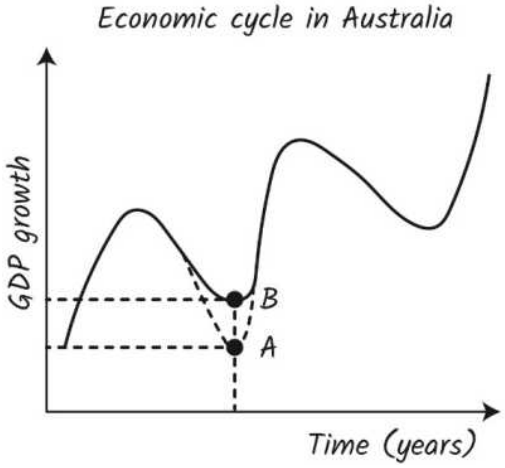
2020 Paper 1 Section 2 Question 11

The JobSeeker payment is the main income support payment for Australians over 22 years of age who are unemployed and looking for work.

Explain how automatic stabilisers operate and describe how JobSeeker payments stabilise the economic cycle. Draw a diagram in the space provided to support your answer. [6 marks]

Sample response



As transfer payments that redistribute income, JobSeeker payments are automatic stabilisers; that is, government expenditure increases inevitably when the economy's growth rate is falling and the number of unemployed people rises.

These payments allow unemployed people to spend more than they would otherwise. Without these increases in spending, the economy would be heading for a larger downturn (point A) than otherwise. With the stimulatory effect of spending that automatically increases because of the higher unemployment, the trough will be at a higher point (point B).

This direct relationship between unemployment payments and unemployment also works at peaks of the economic cycle to automatically reduce government expenditure.

The response	The response
[2 marks] • accurately represents the economic cycle • includes a title and axis labels • includes 2 points showing change in a trough position	[4 marks] • explains how automatic stabilisers work to smooth out peaks and troughs in the economic cycle • describes how an increase (↑) in JobSeeker would smooth out troughs in the diagram drawn • links to diagram
[1 mark] • draws the economic cycle	[3 marks] • describes how automatic stabilisers work to smooth out peaks or troughs in the economic cycle • describes how an ↑ in JobSeeker would smooth out the diagram drawn • refers to diagram
[0 marks] • does not satisfy any of the descriptors above.	[2 marks] • describes how automatic stabilisers work to smooth out peaks or troughs in the economic cycle OR • describes how an ↑ in JobSeeker would smooth out an economic cycle
	[1 mark] • identifies how transfer payments or JobSeeker automatically stabilise an economic cycle
	[0 marks] • does not satisfy any of the descriptors above.

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2020 Paper 1 Section 2 Question 12

Hypothetical data and economic information is provided.

Analyse the data and economic information to explain the impact on the household sector of a 75 basis point cash rate decrease from the current cash rate (ceteris paribus). Provide two reasons to justify your answer. [9 marks]

Sample response

The data shows businesses are more confident of the future than consumers, as business confidence has risen, and consumer confidence has fallen over the past year. This implies that while businesses expect their profits to rise, consumers do not have the same confidence about their income, which would be negatively influencing their spending decisions.

Australian new vehicle sales have decreased by approximately 26% within one year. This trend is consistent with a sudden and significant decrease in consumer confidence.

A 75 basis point decrease in the cash rate to 2.75% is a significant intervention that should impact new vehicle sales. Households could be expected to increase their demand for new vehicles. The reasons are firstly that households would experience an increase in their disposable income, as lower interest rates are passed though the economy. Second, their confidence should improve by the RBA acting to stimulate the economy.

The response, for confidence:	**The response, for new vehicle sales:**	**The response:**
[3 marks] • identifies decreasing (↓) consumer confidence yet increasing (↑) business confidence over the year • makes a valid inference about consumer confidence	[2 marks] • calculates new vehicle sales have decreased by 26% • makes a valid inference about the new vehicle sales	[4 marks] • identifies the decrease (↓) in the cash rate to 2.75% is significant • explains the impact on household (HH) sector using 2 reasons
[2 marks] • identifies ↓ consumer confidence yet ↑ business confidence over the year OR • makes a valid inference about ↓ consumer confidence	[1 mark] • makes a valid statement about new vehicle sales	[3 marks] • quantifies the ↓ in the cash rate • explains the impact on HH sector using 1 reason

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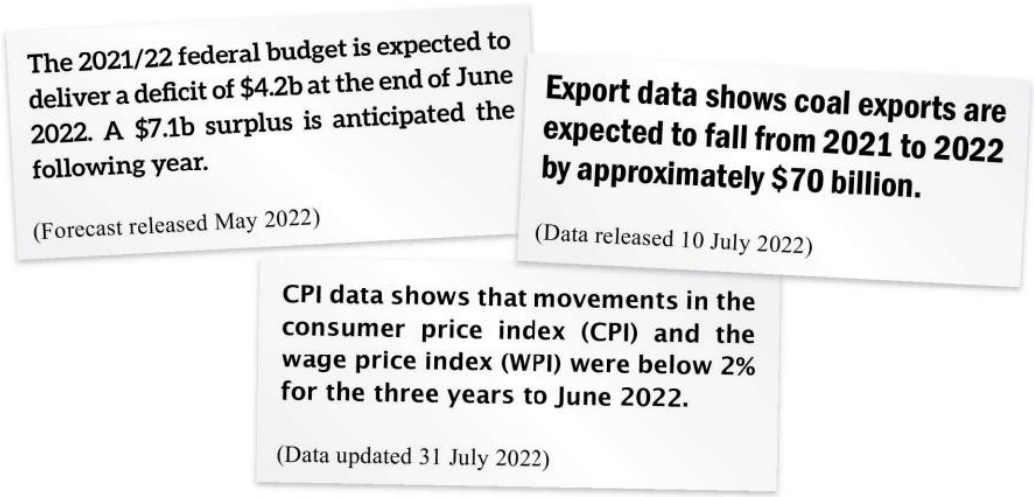
	[1 mark] • makes a valid statement about consumer confidence	[0 marks] • does not satisfy any of the descriptors above.	[2 marks] • quantifies the ↓ in the cash rate • identifies a valid impact on the HH sector
	[0 marks] • does not satisfy any of the descriptors above.		[1 mark] • identifies an impact of the cash rate on the HH sector
			[0 marks] • does not satisfy any of the descriptors above.

2020 Paper 1 Section 2 Question 13

An economic scenario is provided.



Use the scenario to explain two relationships and their economic effects. Evaluate the merit of achieving a budget surplus in your answer. [9 marks]

Sample response		
The CPI data shows there are no inflation pressures from consumer prices or wages, indicating the economy has not experienced demand pressures for three years. The export data demonstrates that Australia has some external stability pressures, because the export value of coal has fallen by $70 billion. These two datasets, in the absence of further information, indicate that economic activity is weakening. They also provide evidence of negative forces acting within Australia's economy that require stimulatory policies. Proposals to achieve a federal budget surplus as expected cannot be justified at this time, because it would mean contracting the economy, which could result in inflation and wages falling further. The fall in wages would be expected to cause households to defer spending and save, causing a flow-on effect on business investment. This would result in several negative forces acting on aggregate demand and reducing economic growth. Consequently, the productive capacity of the economy should be increased.		
The response	**The response**	**The response**
[2 marks] • explains a relationship to - domestic aggregate demand pressures (inflation) - external stability pressures (exports)	[3 marks] • deduces that economic activity is weak based on the 2 datasets • identifies ceteris paribus	[4 marks] • draws a conclusion that stimulus is required so there is no merit in a budget surplus • provides detailed reasoning using an economic criterion

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	[1 mark] • identifies a relationship linked to either the inflation data or the export data	[2 marks] • deduces that economic activity is weak based on the 2 datasets OR • deduces that economic activity is weak based on 1 dataset • identifies ceteris paribus	[3 marks] • draws a conclusion that stimulus is required so there is no merit in a budget surplus • provides reasoning using an economic criterion OR • draws a conclusion that stimulus is required • provides detailed reasoning referring to the sources
	[0 marks] • does not satisfy any of the descriptors above.	[1 mark] • identifies that economic activity is weak	[2 marks] • draws a conclusion that stimulus is required • identifies a reason using an economic criterion
		[0 marks] • does not satisfy any of the descriptors above.	[1 mark] • identifies that contracting the economy is not warranted
			[0 marks] • does not satisfy any of the descriptors above.

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Marking Guide – Paper 1 Section 3

2024 Paper 1 Section 3 Question 15

Instructions
• Respond in 400 600 words.
• This section has one question and is worth 21 marks.

Use all of Sources 1–8 to analyse the economic issue and evaluate a demand-side and a supply-side approach being taken by Australian governments. Draw a conclusion about which approach is more effective, using the criterion of future employment. [21 marks]

Criterion: Analysing

The response:	The response:	The response
Problem (3 marks)	Weather events	Electricity generation
[1 mark] • explains the economic issue as extreme weather events [1 mark] [1 mark] • identifies the dilemma for Australia of reliance on non-renewable energy production [1 mark] • calculates a number to make meaning	[3 marks] • quantifies flood and storm event trends using data and dates (s1) • adds meaning to the damage caused by weather events, with detail (s4)	[3 marks] • quantifies the - % of two carbon emission sources (s5) - trend of electricity generation from non-renew and renew sources (s6) • adds meaning to the data (s5 or s6)
	[2 marks] • quantifies flood or storm event trends • adds meaning to the damage caused by weather events	[2 marks] • using data, identifies the carbon emission sources • adds meaning to the data OR • using data, identifies the trend of electricity generation • adds meaning to the data
	[1 mark] • identifies flood or storm event trends OR • identifies damage caused by weather event	[1 mark] • identifies carbon emission sources OR • identifies the trend of electricity generation
	[0 marks] • does not satisfy any descriptors above.	[0 marks] • does not satisfy any descriptors above.

Criterion: Evaluating

The response:	The response	The response
D-side approach	S-side approach	Evaluation
[4 marks] • explains solar subsidies as stimulating demand for solar (s3) • adds detail to the solar subsidy explanation • synthesises a relevant idea or perspective, with detail	[4 marks] • explains CopperString as increasing the supply of electricity (s2) • adds detail to the CopperString explanation • synthesises a relevant idea or perspective, with detail	[4 marks] • makes a valid decision about the effectiveness of the D- and S-side approaches, using future employment (s7, s8) • provides economic reasoning about the D- and S-side approaches • makes a valid decision about whether the D- or S-side approach is more effective
[3 marks] • explains solar subsidies • synthesises a relevant idea or perspective • adds details to either the explanation or synthesis	[3 marks] • explains CopperString • synthesises a relevant idea or perspective • adds details to either the explanation or synthesis	[3 marks] • makes a decision about the effectiveness of the either the D-side OR S side approach, using future employment • includes economic reasoning to support one approach

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[2 marks] • describes solar subsidies • refers to an economic idea or perspective	[2 marks] • describes CopperString • refers to an economic idea or perspective	[2 marks] • makes a decision about the D-side or S-Side approach • links a decision to employment
[1 mark] • identifies solar subsidies as an approach	[1 mark] • identifies CopperString as an approach	[1 mark] • identifies a decision about employment
[0 marks] • does not satisfy any descriptors above.	[0 marks] • does not satisfy any descriptors above.	[0 marks] • does not satisfy any descriptors above.

2023 Paper 1 Section 3 Question 15

Explain the rationale for the scenario presented to reduce payroll tax in Australia. Evaluate the benefits and costs using the perspectives of households, businesses and government. [22 marks]

The response:
Key points [4 marks]
• describes the complexity of payroll tax **[1 mark]** • uses data to support complexity **[1 mark]** • explains that payroll tax is inefficient **[1 mark]** • uses a calculation to enhance meaning **[1 mark]**

The response:
HH
[5 marks] • explains benefit of – lower prices (s5) – higher wages using data (s4) – greater employment using data (s4) • judges that each benefit would => higher standard of living • explains lack of costs
[4 marks] • explains two benefits, with one item of data • judges that the benefits would => higher standard of living • identifies lack of costs
[3 marks] • identifies one benefit • judges that the benefit would => higher standard of living
[2 marks] • identifies one benefit • judges that the benefit would => higher standard of living
[1 mark] • identifies one benefit **OR** • judges that HH may experience higher living standards
[0 marks] • does not satisfy any of the descriptors above.

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The response:
Bus
[5 marks] • explains benefit of – lower tax expense – lower compliance burden using evidence (s2) – increased international competitiveness, using evidence (s6) • judges that each benefit would => higher profits • explains lack of costs
[4 marks] • explains two benefits using evidence • judges that the benefits would => higher profits • identifies lack of costs
[3 marks] • explains two benefits using evidence • judges that the benefits would => higher profits
[2 marks] • identifies one benefit • judges that the benefit would => higher profits
[1 mark] • identifies one benefit **OR** • judges that Bus would experience higher profits
[0 marks] • does not satisfy any of the descriptors above.

The response:
Government benefit
[4 marks] • explains benefit of improved – allocative efficiency across states (s8) – international competitiveness using evidence (s6) • judges that each benefit would => economic growth
[3 marks] • explains a government benefit • judges that the benefit would => economic growth
[2 marks] • identifies a government benefit • judges that the benefit would => economic growth
[1 mark] • identifies a government benefit **OR** • judges that economic activity may ↑
[0 marks] • does not satisfy any of the descriptors above.

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The response:
Government cost
[4 marks] • explains cost of removing payroll tax revenue, using two items of evidence (s1 and s3) • explains trade-offs required when the tax is removed, due to the – budget deficit (s7) – interest costs (s7) • judges that the costs => budget deficit problems
[3 marks] • explains cost of removing payroll tax revenue, using evidence • explains trade-offs required when the tax is removed • judges that the costs => budget deficit problems
[2 marks] • explains a cost or trade-off resulting from removing the tax • judges that cost => budget deficit problems
[1 mark] • explains a cost to the government **OR** • judges the government may have a budget deficit problem
[0 marks] • does not satisfy any of the descriptors above.

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2022
Paper 1
Section 3
Question 14

Instructions
• Respond in paragraphs consisting of full sentences.
• This section has one question and is worth 28 marks.
• Respond in 400 600 words.

Sources 1-7 in the stimulus book present the Australian economy in a fictional setting.

Analyse Sources 1-7 to evaluate the costs and benefits of changing the monetary policy stance from the perspective of Australian households. [28 marks]

Criterion: Analysing

The response: Problem	**The response: Durable goods (Sources 1 and 7)**	**The response: Labour market (Source 2)**	**The response: Business (Source 6)**
• identifies the economic problem being an overheated economy [1 mark] • calculates a number to make meaning [1 mark]	[4 marks] • quantifies the trend in durable goods, using data from s1 and links to s7 • effectively provides a detailed explanation of a relationship • infers household demand is high	[4 marks] • quantifies the trend in the labour market, using data from s2 and with links to labour being at full capacity • effectively provides a detailed explanation of a relationship • infers inflation pressures exist	[4 marks] • quantifies the trend in business investment, using data from s6 • effectively provides a detailed explanation of a relationship • infers inflation pressures exist or capital is at capacity
	[3 marks] • quantifies the trend in durable goods, using data from s1 or s7 • provides an explanation of a relationship • infers household demand is high	[3 marks] • quantifies the trend in the labour market, using data from s2 • provides an explanation of a relationship • infers inflation pressures exist	[3 marks] • quantifies the trend in business investment using data from s6 • provides an explanation of a relationship • infers inflation pressures exist or capital is at capacity
	[2 marks] • identifies the trend in either durable goods or cars • describes a relationship relevant to a trend	[2 marks] • identifies the trend in the labour market • describes a relationship relevant to a trend	[2 marks] • identifies the trend in business investment • describes a relationship relevant to a trend
	[1 mark] • identifies the trend in either durable goods or cars	[1 mark] • identifies the trend in the labour market	[1 mark] • identifies the trend in business investment
	[0 marks] • does not satisfy any of the descriptors above.	[0 marks] • does not satisfy any of the descriptors above.	[0 marks] • does not satisfy any of the descriptors above.

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Criterion: Evaluating

The response: Decision	The response: Benefits	The response: Costs	The response: Caveat/limitation
• identifies a rationale for RBA intervention [1 mark] • provides a reason to support the rationale [1 mark] • decides benefits of tighter monetary policy outweigh the costs [1 mark] • identifies that costs are not evenly distributed within the economy [1 mark]	[4 marks] • identifies a benefit of ↑ interest rates • synthesises an economic idea with details • supports decision by explaining the benefit to households • explains benefits to retirees who rely on income from savings, using data	[4 marks] • identifies a cost of ↑ interest rates, using data • synthesises an economic idea with details • supports decision by explaining the cost to households • explains costs linked to either durable goods or non-residential construction, from perspective of households	[2 marks] • identifies additional cost to high debt households • supports the aim of higher debt levels by comparing with other countries and data
	[3 marks] • identifies a benefit of ↑ interest rates • identifies an economic idea • supports decision by explaining the benefit to households • explains benefits to retirees who rely on income from savings	[3 marks] • identifies a cost of ↑ interest rates • identifies an economic idea • supports decision by explaining the cost to households • explains costs linked to either durable goods or non-residential construction	[1 mark] • identifies additional cost to high debt households
	[2 marks] • identifies a benefit of a change in interest rates • supports the decision by linking to an economic idea or to retirees	[2 marks] • identifies a cost of a change in interest rates • supports the decision by linking to an economic idea, durable goods or non-residential construction	[0 marks] • does not satisfy any of the descriptors above.
	[1 mark] • identifies a benefit of a change in interest rates	[1 mark] • identifies a cost of a change in interest rates	
	[0 marks] • does not satisfy any of the descriptors above.	[0 marks] • does not satisfy any of the descriptors above.	

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2021
Paper 1
Section 3
Question 13

Instructions
• Respond in paragraphs consisting of full sentences.
• Respond in 400–600 words.
• This section has one question and is worth 25 marks.

Use Sources 8–14 in the stimulus book to evaluate which policy would be a more effective response to Australia's ageing population: a policy that targets incentives to save for retirement or a policy that targets labour supply. [25 marks]

Analysing [13 marks]

Sample Response Problem	**The response: Age (Source 8)**	**The response Consumption (Source 9)**
• describes the economic problem (s11) [1 mark] • identifies a rationale for government intervention [1 mark] • provides a reason to support the rationale [1 mark] • calculates a number to make meaning [1 mark]	[5 marks] • quantifies the projected ↑ in both trends • effectively provides a detailed interpretation of both trends	[4 marks] • quantifies the pattern of income and consumption • effectively provides a detailed interpretation of the pattern
	[4 marks] • quantifies the projected ↑ in both trends • interprets a relationship to both trends	[3 marks] • quantifies the pattern • interprets a relationship to the pattern
	[3 marks] • quantifies the projected ↑ in both trends • interprets a relationship relevant to a trend	[2 marks] • identifies the pattern • interprets a relationship to the pattern
	[2 marks] • identifies the projected ↑ in a trend • interprets a relationship relevant to a trend	[1 mark] • identifies the pattern
	[1 mark] • identifies the projected ↑ in a trend	[0 marks] • does not satisfy any of the descriptors above.
	[0 marks] • does not satisfy any of the descriptors above.	

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Evaluating [12 marks]

The response: Savings	The response: Labour	The response: Conclusion
[4 marks] • explains the efficacy of targeting HH savings • effectively uses economic reasoning and data to discuss the policy's potential	[4 marks] • explains the efficacy of targeting labour supply • effectively uses economic reasoning and data to discuss the policy's potential	[4 marks] • draws a valid conclusion about which policy should be used, based on a relevant economic criterion • effectively synthesises economic ideas and perspectives to support the conclusion
[3 marks] • explains the efficacy of targeting HH savings • uses economic reasoning linked to the sources to discuss the policy's potential	[3 marks] • explains the efficacy of targeting labour supply • uses economic reasoning linked to the sources to discuss the policy's potential	[3 marks] • draws a valid conclusion about which policy should be • synthesises economic ideas or perspectives to support the conclusion
[2 marks] • describes the efficacy of targeting HH savings • uses some reasons to indicate the policy's potential	[2 marks] • describes the efficacy of targeting labour supply • uses some reasons to indicate the policy's potential	[2 marks] • draws a plausible conclusion about which policy should be used • uses an economic idea or perspective to support the conclusion
[1 mark] • uses a reason to indicate the efficacy of targeting HH savings	[1 mark] • uses a reason to indicate the efficacy of targeting labour supply	[1 mark] • draws a conclusion about which policy should be used
[0 marks] • does not satisfy any of the descriptors above.	[0 marks] • does not satisfy any of the descriptors above.	[0 marks] • does not satisfy any of the descriptors above.

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2020
Paper 1
Section 3
Question 14

Instructions

- This section has one question and is worth 28 marks.
- Respond in 400-600 words

Use stimulus 1-8 in the stimulus book to evaluate whether government intervention to influence either housing demand or housing supply would be more effective in reducing housing price pressure and improving living standards. [28 marks]

The response, for house prices:	The response, for low-income households	The response:
[4 marks] • quantifies the trend of house prices increasing (↑) over time (s1) • explains an economic relationship arising from the trend • correctly calculates a number to make meaning	[3 marks] • quantifies the pattern of household (HH) financial stress in low-income households (s2) • explains an economic relationship linked to the pattern	[2 marks] • provides a rationale for government (G) intervention to relieve house price pressures
[3 marks] • quantifies the trend of house prices ↑ • explains an economic relationship arising from the trend OR • quantifies the trend of house prices ↑ • correctly calculates a number to make meaning	[2 marks] • quantifies the pattern of HH financial stress in low-income households OR • explains an economic relationship to low-income households	[1 mark] • identifies a rationale for G intervention to relieve house price pressures
[2 marks] • quantifies the trend of house prices ↑ OR • identifies the trend of house prices ↑ • describes an economic relationship to house prices	[1 mark] • identifies that HH financial stress is linked to low-income households	[0 marks] • does not satisfy any of the descriptors above.
[1 mark] • identifies that house prices are ↑	[0 marks] • does not satisfy any of the descriptors above.	
[0 marks] • does not satisfy any of the descriptors above.		

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The response, for housing supply	The response, for supply conclusion:	The response, for housing demand:	The response, for demand conclusion:	The response:
[4 marks] • provides a detailed explanation of housing supply pressures • uses data in the explanation	[4 marks] • identifies that government (G) intervention in housing supply would be effective • provides a detailed explanation of how G intervention can improve housing supply • links to an economic idea	[4 marks] • provides a detailed explanation of housing demand pressures • uses data in the explanation	[4 marks] • identifies that government (G) intervention in housing demand would be effective • provides a detailed explanation of how a G intervention can shift housing demand • links to an economic idea	[3 marks] • draws a valid conclusion of benefits of government (G) intervention based on living standards • provides reasoning for the decision, synthesising HH demand and supply ideas • uses economic terms effectively
[3 marks] • provides a detailed explanation of housing supply pressures OR • explains housing supply pressures • uses data in the explanation	[3 marks] • identifies that G intervention in housing supply would be effective • explains how G intervention can improve housing supply • links to an economic idea	[3 marks] • provides a detailed explanation of housing demand pressures OR • explains housing demand pressures • uses data in the explanation	[3 marks] • identifies that G intervention in housing demand would be effective • explains how a G intervention can shift housing demand • links to an economic idea	[2 marks] • draws a valid conclusion based on living standards • provides reasoning to support the decision
[2 marks] • describes a housing supply pressure OR • identifies housing supply pressures • uses data in the identification	[2 marks] • identifies that G intervention can influence housing supply • identifies how G can improve housing supply	[2 marks] • describes a housing demand pressure OR • identifies a housing demand pressure • uses data in the identification	[2 marks] • identifies that G intervention can influence housing demand • identifies how a G intervention can shift housing demand	[1 mark] • identifies a conclusion based on living standards
[1 mark] • identifies that housing supply affects housing prices	[1 mark] • identifies that G can influence housing supply	[1 mark] • identifies city and regional areas have different housing demand forces	[1 mark] • identifies that G can influence housing demand	[0 marks] • does not satisfy any of the descriptors above.
[0 marks] • does not satisfy any of the descriptors above.	[0 marks] • does not satisfy any of the descriptors above.	[0 marks] • does not satisfy any of the descriptors above.	[0 marks] • does not satisfy any of the descriptors above.	

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